Government Support Interventions and Autonomy of Agricultural Cooperatives in Ethiopia: The Case of Selected Regions

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Master of Arts in Public Management and Policy

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October, 2014

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Acknowledgements

I would like to extend my thanks to the many people, who so generously contributed to the work presented in this thesis.

My special thanks go to my enthusiastic advisor, Dr. Terefe Degefa, for his tremendous academic support and thorough guidance in writing this thesis.

I acknowledge the immense support I received from my family and friends, for without their support it would have been very difficult for this thesis to be real.

I am very grateful to Meaza Bahiru, Abraham Ejeta, Asqual Berhe, Nigussu Reta and Tsegaye Anulo for their support in data collection and providing me with important reports, reference materials and insights for this thesis.

I am very thankful for the amount of support and cooperation I was provided by colleagues in Amhara, Oromia, SNNPR and Tigray Regional Cooperative Promotion Agencies in getting data, connecting with important people, primary cooperatives and unions. I also recognize the flexibility and willingness of my targeted primary cooperative and union members and employees showed to respond to my questionnaires on top of the workload they have at their offices.

Finally, I am indebted to the works and authors that I used in this research and to several anonymous referees whose works added value to this thesis in one way or another.
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### Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
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<td>FCA</td>
<td>Federal Cooperative Agency</td>
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<td>FTC</td>
<td>Farmer Training Center</td>
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<td>GM</td>
<td>General Manager</td>
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<td>GTP</td>
<td>Growth and Transformation Plan</td>
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<td>ICA</td>
<td>International Cooperative Alliance</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>RCPA</td>
<td>Regional Cooperative Promotion Agency</td>
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<td>SACCO</td>
<td>Saving and Credit Cooperative</td>
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<td>SNNPR</td>
<td>Southern Nations Nationalities and Peoples Region</td>
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Abstract

This study on Government Support Interventions and Autonomy of Agricultural Cooperatives tried to analyze the overall approach and focus areas of government support to agricultural cooperatives in enhancing their capacity and its implications on their autonomy. In addition, the importance, strength, and weakness of government support to agricultural cooperatives have also been explored in this thesis.

The study used qualitative and quantitative approach of data collection and analysis by means of structured questionnaires to sample members and employees of primary cooperatives and union as the basic data source and structured interviews with experts in the cooperative sector. The study shows that Ethiopian cooperative support bodies at different levels of government and administration put significant effort to support agricultural cooperative development. The supports to agricultural cooperatives in different tier levels vary from regulating the cooperative sector with just laws to direct human resource and material support. These supports to agricultural cooperatives are mostly in the form of trainings, cooperative services and relatively little material support through government support bodies in federal, regional, zone and lower levels.

The findings of the study also indicate that the government support to agricultural cooperatives has played enormous role in creating awareness about cooperatives and their advantages among farmers, increasing the number and role of cooperatives in the agriculture sector and ensuring sustainable growth of cooperatives. While engaging to support and provide services to agricultural cooperatives that are formally declared autonomous by proclamation, government support bodies intervenes in their internal matters. These interventions happen from the formation stage of new cooperatives to the day-to-day activities of matured ones. These interferences are not necessarily uniform, but sufficiently strong enough to pose challenges to cooperative business operation performance and growth across the studied regions.
Chapter One
Introduction

1.1 Background

Ethiopia is one of the poorest countries in the world with 85% of its population leaving in the rural parts of the country and employed in agriculture sector. The agriculture sector is very important in the Ethiopian economy that it accounts for roughly 46% of the country’s Gross Domestic Product (GDP) and 90% of exports (Ministry of Agriculture and Rural Development, 2010).

The Ethiopian agriculture sector faces multiple challenges and is largely characterized by low productivity, limited use of modern inputs, high transaction costs, and minimal level of commercialization by small-scale and resource-constrained farmers. Some of these challenges are attributed to non-existence of strong rural associations that have capacity to provide services needed by farmers in agricultural production, harvesting, value-addition and marketing (Emana & Nigussie, 2011).

Collective action and organized effort assists smallholders’ engagements in markets through capital formation, institutionalized and organized services and goods production. Thus, cooperative development has been a key feature of agricultural growth in many countries around the world (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). Cooperatives serve as agricultural input providers, disseminate improved agricultural technologies, compete with private traders to enable higher prices for agricultural commodities, drive income gains for farmers through value addition, provide marketing alternatives etc. Recognizing the roles cooperatives play in bringing smallholder farmers together and contributing to sustainable local level development to their members and beyond, governments around the world devise and implement policies and strategies to support cooperative development (Ingalsbe, 1989).

Like in many other developing countries, the concept of government supporting agricultural cooperatives’ development is also largely shared amongst policy-makers in Ethiopia. The Ethiopian government in its policies and strategies has expressed its confidence in cooperative organizations as a driving force for rural development and its commitment to supporting them.
The Ethiopian Growth and Transformation Plan (GTP) among others, highlights the development of cooperatives as a key pathway by which the agriculture sector and economy as a whole will develop over the plan’s period and beyond (Ministry of Finance and Economic Development, 2010).

As the Ethiopian economy is heavily dependent on agriculture and the majority of the people are employed in the sector, Ethiopian development policies and strategies are agriculture sector focused putting agricultural cooperatives at the center in terms of follow-up and assistance from federal and regional governments (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

In Ethiopia, agricultural cooperatives have been taking part in several aspects of the agriculture sector since the 1960s (Kebebew, 1978). Currently, Ethiopia’s cooperative sector is relatively strong in some ways but also has had limited success to date in improving productivity and incomes of Ethiopia’s smallholder farmers (Emana & Nigussie, 2011).

The current government of Ethiopia has been supporting cooperatives in many ways for nearly two decades since it recognized the key roles they play in linking farmers to input and output markets, increasing agricultural productivity, and ultimately reducing rural poverty (Veerakumaran, 2007).

Despite government and development partners’ support to cooperatives, most agricultural cooperatives are falling short of their aspirations and obligations to members in improving productivity and income of farmers (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). It is argued that high dependence of cooperatives on government support and the very ways by which government extends it support to agricultural cooperatives is problematic and the reason for their underperformance. When government, in a way of supporting agricultural cooperatives, oversteps the boundaries and violate the basic principles of free cooperation, its role can be unhelpful rather than contributing to better performance and growth of cooperatives (Fredrick, 2012)
Given the issues identified above, it is critical to understand the current state of government support to agricultural cooperatives in selected regions of Ethiopia and its effect on their development in general and autonomous operations in particular.

1.2 Statement of the Problem

Agricultural cooperatives face many challenges worldwide which among others include: poor management, lack of capital resources, inadequate training, extension and education programs, lack of communication, unclear and inadequate government policies and intervening in cooperative internal matters (Prakash, 2000). Based on their significances in economies of countries, governments have different levels of interest in regulating and providing support to cooperative sectors and to agricultural cooperatives in particular. Government’s involvement and interventions in the sector vary from oversight and regulation to actual implementation or targeted supports depending on the types of state and development levels of the sectors. In most countries, the government provides targeted (organizing, training, auditing etc) service/support for the cooperative sector in its early development stages. Over time, these services/supports move to being provided by multiple private, public, non-governmental organizations (NGOs), and cooperative sector stakeholders (Ministry of Agriculture, 2012).

In many cases well-functioning cooperatives are autonomous from direct government interference. Evidence in multiple countries suggests that government interference in the certain areas is especially detrimental to cooperatives’ service growth and sustainability (Ministry of Agriculture, 2012). Forcing members to join cooperatives, directing cooperatives on what business to engage in (goods to produce or services to provide or how to provide them to members and beyond), politically motivated government influence over the selection or removal of cooperative leadership or staff, and in general, not creating enabling and favorable political, economic and legal environment for cooperatives are the most critically challenging aspects of how government interacts with cooperatives.

Agricultural cooperatives in Ethiopia are formally autonomous, but some stakeholders report subjective evidences of local government interference in cooperatives’ formation and in some cases their day-to-day activities. This interference is not necessarily uniform across the country or over time, but it is mentioned to be strong enough that in some communities, farmers
identify cooperatives directly with the government (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

In working with and to develop agricultural cooperatives, there are many instances where governments violate the very basic principles of voluntary cooperation of persons for common economic and other interests and autonomy of cooperatives. This erodes the sense of belongingness from members towards cooperatives and what they can contribute (Fredrick, O. Wanyama, 2012). Therefore, it is important to assess whether the autonomy and free operation of agricultural cooperatives in the targeted regions is being challenged by government in way of supporting their growth and development.

1.3 Research Objectives

General objective

The general objective of the study is to make an overall assessment of how government’s support and capacitating involvement with agricultural cooperatives is affecting the autonomy growth, effectiveness, capacity and other aspects of agricultural cooperatives in Ethiopia based on selected regions.

Specific objectives

In light of the above mentioned general objective, the author intended to achieve the following specific objectives while conducting the study:

- To identify the types of supports the government provides to agricultural cooperatives;
- To identify the government structures that support agricultural cooperatives and the model they employ in doing so;
- To find out if government supports are provided at the expense of cooperatives’ autonomy and independence
- To analyze the strengths and weaknesses of government’s support to agricultural cooperatives;
- To examine the significance of the role government is playing to enhance the capacity of agricultural cooperatives; and
• To analyze how effective the directions taken by government in providing supports to agricultural cooperatives are.

In line with the above problem, this study attempted to assess the prevailing situation of the interface between government and agricultural cooperatives and came up with possible solutions and recommendations after having clear understanding of the situation by giving due emphasis to answer the following research questions:

1.4 Research Questions

• Does the government provide support to agricultural cooperatives?
• Which government bodies support agricultural cooperatives?
• What kinds of supports are provided to agricultural cooperatives and how are they being provided?
• Does the government intervene in internal matter of agricultural cooperatives while providing support?
• How is government support to agricultural cooperatives perceived by the cooperatives and the government support structures?
• What are the strengths and weaknesses of governments support to agricultural cooperatives?
• How is government intervention affecting the performance and growth of agricultural cooperatives?

1.5 Significance of the Study

The author anticipates that this study provides background on government’s contribution to develop Ethiopia’s agricultural cooperative sector, its history and trends, context, role of actors and institutions. This study highlights the successes, constraints, and opportunities in the agricultural cooperatives sector and identifies a prioritized set of bottlenecks to agricultural cooperatives’ development and proposed interventions to address them. Thus, the author hopes the result of this study will serve as an input to policy makers, strategists and implementers by indicating the core and sub-problematic areas. At the same time the author believes this study will promote institutional coordination among cooperative sector stakeholders.
Moreover, federal and regional bodies of the government that work with cooperatives, cooperatives at different tiers, non-governmental organizations that support agricultural cooperatives, other authorities, policy makers and professionals could use this document as an input for further discussion, investigation and application.

1.6 Scope of the Study

The study covered 5 agricultural cooperative unions and 25 primary cooperatives in Amhara, Oromia, Southern Nations Nationalities and Peoples Region (SNNPR) and Tigray. The four regions are where sample of agricultural primary cooperatives and unions in the country are drawn for this study because, as sources show, these regions host the majority of the cooperatives in the country. Thus, results of study from regions will be indicative of the case for agricultural cooperatives in the country. In 2011/12 fiscal year 91% and 90% of agricultural primary cooperatives and unions respectively were found in these four regions (Emana & Nigussie, 2011). This proportion hasn’t changed much since then and these four regions clearly hold an important position in Ethiopian agricultural cooperatives movement.

An internal FCA report on the distribution of agricultural cooperatives in Ethiopia (2011) shows that the 91% of agricultural and multipurpose primary cooperatives were in the four regions with 41%, 24%, 11% and 15% of them being in Oromia, Amhara, SNNPR and Tigray respectively. When it comes to regional distribution of agricultural cooperative unions, Oromia hosted the highest number of unions (41%), followed by Amhara (17%), Tigray (17%), and SNNPR (15%). These four regions all together accounted for 90% of cooperative unions in the country.

1.7 Limitation of the Study

The research tries to assess government’s role in supporting agricultural cooperatives in Ethiopia and its implication on their independence and autonomy. Even though there are several types of cooperatives in Ethiopia and can be formed in many sectors such as housing, mining, saving and credit and so on this study limited itself to agricultural cooperatives and not cover the case with other types of cooperatives. Agricultural cooperatives for the purposes of this document are agricultural-producer-owned cooperatives whose primary purpose is
increasing member producers’ production and incomes by helping better link farmers with finance, agricultural inputs, information, and output markets.

Even if the primary function of the studied unions and primary cooperatives is serving farmers by supplying agricultural inputs and output marketing irrespective of their name, they are often organized as multipurpose so as to give them legal ground to market consumer goods like sugar, soap and edible oil and engage in other community development works. Therefore, the multipurpose cooperatives covered in the study are considered to be agricultural.

1.8 Research Methodology

Target population

The target population of this study is the agricultural cooperatives in Ethiopia. However, as over 90% of these cooperatives are concentrated in four regions of the country namely Amhara, Oromia, TIgray and SNNPR, the researcher has focused only on cooperatives in these regions. The researcher believes that research conducted in these regions can fairly represent the issue under study for the country.

Sample size and sampling technique

The sampling method employed in the study is judgmental sampling. Convenience-sampling technique was used to select the cooperatives studied based on the frequency of their interaction with cooperative promotion offices, their geographic locations, availability of members and staff of cooperatives to respond to questionnaires and organizational strength of the cooperatives.

The sample size for this study was 120 respondents from cooperative unions and primary cooperatives. Time needed to collect data and researcher’s judgments were used to determine the sample size. However, after data collection, the sample size was reduced to 116 due to missing values in 4 questionnaires.

Data type and Source

Both primary and secondary data were used in this research. Thus, primary and secondary data were collected from target primary cooperatives and unions in Amhara, Oromia, SNNPR and
Tigray, Federal Cooperative Agency (FCA), Regional Cooperative Promotion Agencies (RCPAs). In person and phone interviews with relevant target people were also conducted as a primary source of information. The main targeted groups for data collection for this study were ordinary members, board, controlling and other committee members of cooperatives, government workers that take part in promoting, inspection and auditing of primary cooperatives and unions, cooperative employees that work at different responsibility levels. This has helped to get evidences from both the cooperative as well as government’s side on the study subject.

Data collection methods and instruments

The research employed structured interview and survey questionnaire as tools of data collection. Structured questionnaires were used to collect information from members, leadership, and staff of primary cooperatives and cooperative unions. Structured interviews were conducted with experts and officers in Federal Cooperative Agency (FAC) and the selected Regional Cooperative Promotion Agencies (RCPAs). In addition to these, secondary data were also collected from RCPAs and FCA.

Review of literature and reports: literatures, publications and reports on cooperatives in Ethiopia, and other countries were reviewed to gather information from different sources and experiences. The author has also gone through and used published and unpublished reports, websites, periodicals, and assessment reports to get relevant information on cooperatives in Ethiopia.

Key informants interview: In person and phone interviews were made with three experts and officers that have experience in cooperative sector in Ethiopia in order to include expert perspective to the study. The experts are employees of the Federal Cooperative Agency and Tigray and SNNPR Regional Cooperative Promotion Agencies.

Method of data analysis

In order to attain the research objectives, the data collected have been analyzed through descriptive statistics to find out how government support intervention in the cooperative sector are perceived by different stakeholders and present what the implications are on cooperatives’
autonomy. Results are presented in percentages in tables. The information collected through review of documents, interviews and questionnaires has also been analyzed statistically and described within the framework of the study objectives.

Information obtained from the secondary and primary sources was used to make a descriptive analysis of the situation. Based on the findings, relevant conclusions and recommendations have been drawn.

1.9 Organization of the Study

This thesis is structured as follows: the first chapter gives background and lays the ground to examine government support intervention to agricultural cooperatives and their autonomy in later chapters; the second chapter presents a literature review that explores history, models and implications of government engagement with cooperatives and their autonomy; the third chapter deals with data analysis and presentation; conclusions and recommendations have been provided in chapter four.
Chapter Two
Literature Review

2.1 Definitions and Concepts

2.1.1 Cooperatives

The International Cooperative Alliance (ICA) which is an apex organization that unites, represents and serves cooperatives worldwide defines cooperative as: 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 (ICA, 2014). In addition, various other definitions have also been given for cooperatives in different literatures. Among these are the following:

Cooperatives are association of members, either personal or corporate, which have voluntarily come together in pursuit of common economic objectives (Doreen, 1986)

Cooperative enterprise is also defined based on ownership and management of benefits as an association which belongs to the people who use its services, the control of which rests with all the members, and the gains of which are distributed to the members in proportion to the use they make of its services (Jacob, Charles, Clifford, Laland, & Robin, 1937).

Cooperative is a group of people organized to work together for mutual benefits. Economic cooperation is a form of business with democratic ownership and control by member patrons having common needs, serving themselves on a non-profit basis, and receiving benefits proportional to participation (Fetrow and Elsworth, 1947).

In general, according to (Chambo, 2009), the definitions of cooperatives have four major attributes. They are: formed by people who have a specified common need or problem, formed by willing members after contributing to the cooperative’s assets, cooperatives are democratically governed on equitable norms, and owned and controlled by member people.
2.1.2 Agricultural Cooperatives

Cooperatives can be formed by members to address varying challenges and serve their needs in different sectors. One category of these is a cooperative formed by farmers or people engaged in the agricultural sector. The following are definitions given to agricultural cooperatives in different literatures:

An agricultural cooperative is a business organization, usually incorporated, owned and controlled by member agricultural producers, which operates for the mutual benefit of its members or stockholders, as producers or patrons on a cost (Baarda, 2006).

Baarda further understands agricultural cooperatives (farmers' cooperative) as associations where farmers pool their resources in certain areas of activity. Agricultural cooperatives are distinguished between agricultural service cooperatives, which provide various services to their individual farming members, and agricultural production cooperatives, where production resources (land, machinery) are pooled and members farm jointly.

According to (Stephanie, 2001) there are three primary types of agricultural service cooperatives. Supply cooperatives supply their members with inputs for agricultural production, including seeds, fertilizers, fuel, and machinery services. Marketing cooperatives are established by farmers to undertake transformation, packaging, distribution, and marketing of farm products (both crop and livestock). Service cooperatives include various industries, such as, trucking, cotton ginning, drying and artificial insemination.

2.2 Government Support to a Sector and Enabling Environment Creation

As the aim of this study is to investigate how government support and engagement with the agricultural cooperatives affects their autonomy and independent operation, this part of the thesis has been dedicated to cover the theoretical aspect of government support to capacitate and enable cooperative sector.

Government support and enabling environment creation in general is seen as government’s action in removal of technical, legal and administrative barriers to sector development, putting in place sound economic policy, regulatory frameworks and transparent system, all of which together will create an environment conducive to sector development (UNFCC, 2014).
Governments engage in supporting cooperative sector growth because they recognize the role cooperatives can play in improving economic and other aspects in the lives of cooperative members and non-member by producing goods and services and creating job opportunities (ICA, 2013).

2.2.1 Government Support to Cooperative Sector Development

Cooperatives are not government organizations. But, governments usually intervene through designing supply and demand side support measures to develop the sector and utilizing its potential in improving socio-economic conditions of cooperative members and beyond (Fredrick, 2012).

According to the Cooperative Development Policy of South Africa, (South African Department of Trade and Industry, 2004) government’s approach to cooperative development should be of creating a favorable legal, economic, administrative and institutional environment.

Also, conclusion made in a report by experts at stakeholder dialog on creating supportive environment for cooperatives states that government support for cooperative sector can be fairly grouped into development of policy, setting up protective regulatory framework, providing research, statistics and information services, education and cooperative capacity building (United Nations, 2002).

In addition to the above, government can employ multiple models and actions to create enabling environment to cooperative development and to contribute to the economic and social endeavors of a country indirectly.

Governments can play a major role in promoting cooperative formation and development by giving a clear, legal definition of a genuine cooperative enterprise; by introducing a cooperative bill/regulation/proclamation (United Nations, 2002). Such legislation allows registration and de-registration of cooperatives in rapid, simple, affordable and efficient manner, as well as the legal supervision of the compliance of laws and regulations by cooperatives.

Furthermore, in addition to providing support to cooperatives directly by government, designing special incentives for cooperatives enterprises to set up their own support service
institutions is seen as a sustainable way of cooperative development (Fredrick, 2012). A strong coherent cooperative sector can voice and advocate for the demands of itself and is an important part of ensuring that new and small cooperatives grow and prosper.

2.3 General Information on Cooperatives

2.3.1 Values and Principles of Cooperatives

Cooperatives are formed and operate based on a particular set of values and principles for consideration as a cooperative. These cooperative values are collectively self-help, self-responsibility, democracy and equality, equity and solidarity (Baarda, 2006). In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 2013). Cooperative principles are guidelines by which cooperatives put their values into practice. Cooperative principles are fundamental and immutable doctrine that define and identify distinctive characteristics of the cooperative organization. They are the settled rules of action and are identified as the coordinates that go to make a cooperative society and as such are indispensable. They were evolved out of experiments and practices, and represent the cooperative’s philosophy, evolved by cooperative enterprise pioneers, improved and embellished by movement and are recognized by the ICA congress. Cooperatives operate under seven principles which are formulated by the ICA in 1995 (Baarda, 2006). These are:

1. **Voluntary and open membership:** Cooperatives are voluntary organization open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

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

3. **Member economic participation:** Members contribute equitably, and democratically control, the capital of their cooperative. At least part of that capital is usually receiving limited compensation, if any and 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 reserve, 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.

4. **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 endure democratic control by their members and maintain their cooperative autonomy.

5. **Education, training and information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

6. **Cooperation among cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. **Concern for the community:** Cooperatives work for the sustainable development of their communities through policies approved by their members.

2.3.2 **Types of Cooperatives**

Cooperatives can be formed for many different purposes and are classified in many ways: by sector, by purpose and by membership (Newfoundland-Labrador Federation of Co-operatives, n.d).

**Financial Cooperatives:** These cooperatives offer deposit, loan and/investment services for members. Credit unions are the most common example of this type of cooperative.

**Retail Cooperatives:** These cooperatives provide their members with goods such as food, hardware, clothing and many other product types. They range in size from small purchasing groups to large supermarket and retail supply organizations.

**Service Cooperatives:** These cooperatives provide a variety of member services including housing, child care, water supply, communications, energy, health care, transportation,
communication, and municipal services. Almost any community service can be delivered using the cooperative business.

**Producer Cooperatives:** They provide their member/producers with services necessary to support their business activities and market their products and services. They are prominent in the agricultural sector where they process and market products, provide farm supplies, operate feedlots and run community pastures. Cooperatives also operate in other primary sectors including the fishery, forestry, cultural and crafts sectors.

**Worker Cooperatives:** These cooperatives are owned by their employees and their purpose is to provide them with work through the operation of their enterprise. They are prominent in such sectors as organic foods production, the arts and entertainment industry, forestry, construction and home care sectors.

**Multi-stakeholder Cooperatives:** These cooperatives include different categories of members who share a common interest in the success of the business. The members often include employees, investors and service recipients. They are prominent in the community development, home care and health care sectors.

### 2.3.3 Organization and Structures of Cooperatives: Roles and Responsibilities

Cooperatives by their very nature are democratically run businesses (ICA, 2013). This directly impacts their organizational structure and how they operate. Fundamental to that structure is the role and responsibility of the member/owners of the cooperative, which then defines and determines the roles and responsibilities of other elements of the organization (Stephanie, 2001).

Cooperative is sustained through a democratic structure comprised of the members, a Board of Directors, various committees, and in many cases management and staff. A cooperatives’ structure may be very simple or more complex, depending on the nature and size of the business (Ingalsbe, 1989).

The components of the cooperative structure are linked. The members invests in the cooperative, sets its objectives, participates in policy and the basic governance of the
cooperative operations. The members elect the board of directors at the cooperatives annual general meeting (AGM). The board of directors represents the members and is more closely involved in the day to day operations of the enterprise. The board would be responsible for hiring and supervising the cooperative’s manager, who would then hire and supervise other cooperative employees. Committees may be established to work on specific aspects of the cooperatives’ operations (Newfoundland-Labrador Federation of Co-operatives, n.d). The roles and responsibilities of these cooperative organizational components are presented below as follows:

The Members

The members (general assembly) are always the ultimate decision makers in a cooperative. Their needs are the sole reasons why cooperatives are established in the first place. They are the owners of the enterprise and as such, exercise their collective democratic control over how it operates (Newfoundland-Labrador Federation of Co-operatives, n.d). Specifically, the responsibilities of cooperative members are to:

- attend the AGM and other membership meetings
- invest share capital (member equity) in the cooperative
- use the cooperative’s services
- participate in the election of the Board of Directors
- be aware of and abide by the cooperatives by-laws, and policies
- participate in decision making process
- serve on the Board and cooperative member committees
- promote the cooperative to others and to the community in general.

The Board of Directors/Board

The board carries out the direction it receives from the members and operates within the framework of by-laws and operational policies. It governs the affairs of the cooperative between annual general meetings. The responsibilities of the board of directors include (Ibid):

- ensuring adherence to the cooperative’s by-laws, mission, purpose and other policies;
• establishing and ensuring adherence to appropriate financial procedures;
• selecting and supervising management;
• approving the cooperatives budget and monitoring operations;
• developing and monitoring long-term strategic plans;
• recruiting and orienting new board members;
• recommending by-law amendments or new by-laws to the membership;
• ensuring implementation of member and public communications plans;
• managing and protecting the assets of the cooperative;
• participating in board training/education sessions;
• accepting or rejecting new membership applications

Committees

The board and membership may delegate some responsibilities, particularly around issues of an operational nature, to an executive committee. Other committees may also be appointed, from time to time, to take on other tasks and projects.

Committees with ongoing areas of responsibility are called standing committees. Examples include Finance and Member Communications committees. Working committees are formed when required to deal with one time issues and/or projects. An example might be a committee that works the development of a new policy and is dissolved after the submission of a final report and recommendation to the board (Alemu, Anulo, Tesfaye, & Hagos, 2010).

Committee members usually come from within the cooperative but external expertise is also used, as required. Most committees make recommendations to the board or membership on the issues which they have been asked to address. Committees usually have their responsibilities outlined in the cooperatives’ by-laws or in a “terms of reference”, issued by the cooperative, to guide its activities (Newfoundland-Labrador Federation of Co-operatives, n.d).

Management and Staff

The responsibilities of a cooperatives’ manager are similar to those of a private sector company. While the board supervises the manager, he/she is responsible for supervising the
other staff. If cooperative is to be successful, it must be a viable, self-sufficient business. Consequently, a board has the responsibility to appoint a competent manager to run their business on behalf of the members. The Board must then support that manager and work with him/her to ensure the cooperative’s ongoing success (Alemu, Anulo, Tesfaye, & Hagos, 2010).

The relationship between board and management in a cooperative is a critical one. They are the two elements of one team and must work together with a clear understanding of each other’s roles and responsibilities.

To avoid misunderstanding it is important to develop clarity around the roles of board and management. While the board has the ultimate responsibility for the success of the cooperative, it relies on the professional competence of the management and staff to achieve that success.

**An Organizational Framework**

All the above components of cooperatives work in a predefined cooperative organizational framework and work relationship for a coordinated effort. The chart below describes how cooperatives are most commonly organized and structured. It illustrates the unique nature of a cooperative being both a democratic “association of people” and a business “enterprise”.
2.3.4 History of Cooperatives

As modern business structure, it was in 19th century Britain that cooperatives originated (Birchall, 1997) as stated in (Evans Lewis, 2006). The Industrial Revolution had a profound effect on the way business was organized and on the working conditions and economic situations of many people there. In response to the depressed economic conditions brought forth by industrialization, some people began to form cooperative businesses to meet their needs. Among them was a group of 28 workers who were dissatisfied with the merchants in their community. They formed the first consumer cooperative known as the Rochdale Society of Equitable Pioneers in 1844 in Rochdale England (Birchall, 1997). They began by opening a cooperative store that sold items such as flour and sugar to members, and the society quickly grew to include other enterprises. The founders also established a unique combination of written policies that governed the affairs of the cooperative. Among these rules were: democratic control of members, payment of limited interest on capital, and net margins distributed to members according to level of patronage.
Based on its success, the Rochdale set of policies soon became a model for other cooperative endeavors, and became known as the general principles that make a cooperative unique from other business structures.

Another important early development regarding cooperatives serving as credit or banking institutions was the establishment of the first savings and credit cooperative in 1864 by Friedrich Wilhelm Raiffeisen in Germany (Inglasbe & Groves, 1989).

The objective of the Raiffeisen Bank was to provide savings and credit services in urban and rural areas based on the idea of “self-help”. Raiffeisen is generally given credit for developing the rules that govern present-day credit unions (Inglasbe & Groves, 1989).

The development of cooperatives over time has been shaped by many factors and influences. Ingalsbe and Groves group these into three main types:

1. Economic conditions (caused by technological development, government economic policy, economic depression etc.);
2. Farmer organizations (including quality of their leadership, their motivation and enthusiasm to promote cooperatives, power to influence public policy, etc.); and
3. Public policy (as determined by government interest, legislative initiative, and judicial interpretation).

2.3.4.1 Classification of Agricultural Cooperatives

As it was mentioned above, agricultural cooperatives are typically classified according to the three major functions they perform: marketing, supply, and service. Many cooperatives combine all three types of functions in their operations (Stephanie, 2001).

Marketing cooperatives

Marketing cooperatives help to sell their members' farm products and maximize the return that they receive for these goods. Their operations can be quite diversified and complex. Some marketing cooperatives perform a limited number of functions, while others vertically integrate their operations so that they perform more functions that add value to their members' products as they move from the farm to the consumer. Marketing cooperatives can serve their members
in many ways, including bargaining for better prices, storing and selling members' grain, and processing farm products into more consumer-ready goods.

**Supply cooperatives**

Supply cooperatives (sometimes referred to as purchasing cooperatives) sell farm supplies to their members. Products include production supplies such as seed, fertilizer, petroleum, chemicals, and farm equipment.

**Service cooperatives**

Service cooperatives provide various services to their members. For instance, cooperatives may offer services such as pesticide applications, seed cleaning, and artificial insemination. Service cooperatives also include organizations such as the Farm Credit System, a network of borrower-owned lending institutions that provide credit and other financial services to farmers, and rural electric cooperatives, which provide electricity to rural areas (Newfoundland-Labrador Federation of Co-operatives, n.d)

2.3.4.2 **Advantages of Cooperation in Agriculture**

The theory of cooperative organization provides several reasons why farmers join the cooperatives. According to (Schroeder, 1992) cooperatives provide quality supplies and service to the farmers at a reasonable cost. By purchasing supplies in mass, the farmers offset the market power advantage of other private firms providing those supplies. The farmers can gain access to volume discounts and negotiate from a position of greater strength for better delivery terms, credit terms, and other arrangements. Suppliers will also be more willing to discuss customizing products and services to meet farmers’ specifications if the cooperative provides them sufficient volume to justify the extra time and expense.

Increased farmers bargaining power in the market places is the other advantage of the cooperatives. Marketing on a cooperative basis permits farmers to combine their strength and gain more income. The farmers can lower distribution costs, conduct joint product promotion, and develop the ability to deliver their products in the amounts and types that will attract better offers from purchasers.
Cooperatives give farmers a means to organize for effective political action. Farmers can meet to develop priorities and strategies. They can send representatives to meet with legislators and regulators. These persons will have more influence because they will be speaking for many, not just for themselves. According to (Folsom J. , 2002) having a businesses owned and controlled on a cooperative basis helps farmers’ entire community. Cooperatives generate jobs and business earnings for local residents. They pay taxes that help to finance schools, hospitals, and other community services.

According to (Koopmans, 2006) farmers may have several specific reasons for starting an agricultural cooperative including being able to mobilize more resources than they can individually supply, create attractive alternatives for purchasing goods and services, and to operate a business more efficiently than can be done on an individual basis, because they recognize that the benefits outweigh the duties of membership and because they recognize that as members of a cooperative they are part owners and not only clients.

By becoming a member of a cooperative, each farmer can make use of the advantages of the cooperative: a good market price for their product and access to other goods, services, markets and credit.

### 2.4 Forms of Government Support and Cooperative Autonomy

Government’s interaction and involvement with the cooperative sector ranges from no interference with only high levels direction and regulation to providing direct support to all levels of cooperatives and interfering in their internal matters (Shaw, 2007).

Scholars have different views over whether there should be state regulation and control of cooperative sector or it should be completely liberalized and free of any kind of government intervention (Wanyama, 2009). It is based on these different views that governments’ interaction with cooperatives sector are designed and implemented.

#### 2.4.1 State-controlled Cooperative Development

This is form of government led cooperative development where policies and legal frameworks give governments power to direct and manage the affairs of cooperatives. In most cases, the role of promotion, control and guidance of the movement is vested in special cooperative
development departments or ministries which give these organizations monopolistic positions on the sector (Develtere, 2008) as stated in (Doreen, 1986). For instance, in some post-colonial African countries agricultural marketing cooperatives were made the sole agents of State Marketing Boards responsible for processing and marketing export crops like coffee, cotton and pyrethrum (Fredrick, O. Wanyama, 2012). These organizations were mandated by the Boards to buy the produce from the farmers and process it for export. Though cooperatives received little from the Boards for their services, such a monopolistic position ensured their survival; for it became the responsibility of the farmers to join the cooperatives if they were to sell their produce. Moreover, state-sponsored agricultural credit schemes were also administered through these cooperatives, which provided another incentive for farmers to join cooperatives. Subsequently, the state quickly brought cooperatives under its control, not just to promote economic development, but also to create jobs for political supporters and use them for other political ends (Muenkner and Shah 1993: 16) as stated in (Nelson C. Kuria, 2006) Cooperatives were subsequently engulfed into state politics, thereby losing their voluntary character that is in contradiction with the principle of democratic member control.

In state lead cooperative development, as government agents, cooperatives are subjected to price controls for agricultural produce, which could not enable them to realize sufficient returns or profits from their operations. Their share capital or membership fee payments will be minimal or completely nonexistent. This leads to undercapitalization of the cooperatives, with a severe dependence on external funding. The politics of state patronage also contributes to increased cases of corruption; mismanagement; inefficiency; and embezzlement of funds (Nelson C. Kuria, 2006).

Even given the effects, in literatures it is encouraged that government’s close follow up and leadership of cooperatives is very necessary to build a strong sector that contributes to development of an economy (Shaw, 2007). Further, Shaw states that it is argued that the complete withdrawal or absence of state support has had negative consequences for the cooperative sectors in Africa countries and unless the cooperative sector is very strong enough to provide service to its members, government should stay involved in supporting cooperatives to the extent needed.
However, according to Fredrick, (Fredrick, 2012) cooperative movements lose their voluntary and bottom-up character that would strengthened people’s solidarity and put the members in charge of their organizations as a result of high state control and involvement that violates the basic principles of free and autonomous cooperation.

2.4.2 Liberal Cooperative Development

Some scholars argue that government should only regulate the sector and not directly involve in internal cooperatives’ matter by case showing that the results of high state control and intervention in cooperatives by governments in some African countries were largely negative with corruption and mismanagement all too common, including failure to hold elections, illicit payments, theft etc (Wanyama, 2009).

Advocates for free cooperative sector from government intervention stress that liberalization of the sector has triggered the rejuvenation of the cooperative movements by regenerating the solidarity of people from the grassroots to form and participate in cooperative organization in the very same countries (Shaw, 2007). Based on this, observers argue that it is the pseudo-cooperatives that collapsed when the state withdrew its support to the cooperative movement, leaving the genuine cooperatives to thrive in a freer environment.

In cooperative movements where government involvement and support is minimal, services like promotion, audit, supervision and management training are not provided by the state. The free market (private service providers or the cooperative associations themselves) responds to demand for these services by cooperatives (Ministry of Agriculture, 2012).

When the cooperative movement is liberalized and free of government interference, the state only forms the legal framework of cooperatives to give the movement complete autonomy, in order to allow them to fit in with the competitive market economy. Such government roles are crucial in increasing efficiency and transparency of cooperative sectors (Wanyama, 2009).

2.4.3 Creating Enabling Environment for Cooperatives Development

Researches show that the level of cooperatives’ and cooperative sector development is directly related to the nature of the supportive environment, the strength of the sector’s infrastructure, and government commitment to enabling the growth of this environment and infrastructure
through policy, programming, and funding (Adeler, 2009). In the country cases studied by Adeler, government don’t see itself as the lead stakeholder in the process or the sector, but rather plays a supportive and enabling role while acknowledging the leadership of the cooperative community. This ensures sector ownership of the strategic direction, infrastructure, financing mechanisms, and cooperative development activities.

Adeler also states that most well-developed cooperatives sectors around the world operate in conducive government political, policy and administrative environment and have an infrastructure that provides technical assistance and cooperative development services for communities and collective entrepreneurs. These services are complimented by funds to support cooperative development, an important acknowledgement that cooperative start-ups require both technical support and financial resources. These services are not only reactive to demand but also play facilitating role for cooperative development and bring people and resources together to take advantage of them.

Based on literatures reviewed, actions that can be taken by governments at different levels to strengthen cooperatives and for the sector growth in general can be classified into the following major categories.

**Build Conducive Political and Administrative Environment for Cooperatives**

A political and administrative system of a country has a profound effect on the development of cooperative sector. Cooperatives are better served in apolitical environment where; democratic principles, human rights and freedom of association are respected, member controlled economic associations and the pursuit of self-help through group initiatives are encouraged and supported.

Ujamma, social and economic philosophy of Tanzania’s former president Julius Nyerere, can be an example of a system that recognizes the economic and social importance of cooperatives. The aim of the association schemes developed by his country was to initiate the transformation of rural society to create "rural economic and social communities where people would live together for the good of all" (Nyerere, 1968) as quoted in (Bonny & Dibua, 2003).
It advocated the development of Ujamaa villages in which people would have their homes around a common service center instead of living on scattered homestead plots and land farmed by cooperative groups rather than by individual farmers.

**Formulate Cooperative Sector Policy**

Governments form working parties with separate sectors of their cooperative movements to define and lead implementation of government goals and policies in their dealings with the cooperative sector (United Nations, 2002).

By formulating cooperative development policies, governments encourage the establishment of agencies to facilitate and promote cooperative self-help solutions within developing areas and communities. Cooperatives are also seen as vehicles for the injection of government development strategies to the local level. Thus, governments develop policies that promote cooperative development (Ibid).

Governments should ensure a legislative and policy environment that permits cooperatives the full flexibility they need to respond to their globalized competitive environment in particular by facilitating cooperative ability to purchase subsidiary businesses, enter joint ventures, trade and invest across national boundaries and amalgamate or otherwise merge their activities in whole or part with other cooperatives.

**Establish Cooperative Legal Framework and Regulatory Environment**

Cooperative legislation provides the legal framework for development of cooperatives in a country. The law is usually based on the cooperative policy. Once a policy-based law is in force, it overrides any policy which does not comply with it until such time when the policy is changed according to legally defined procedures.

Specific cooperative act/regulation/bill recognizes the special nature of cooperative societies, improve the legal protection of cooperative members, and facilitate transactions between cooperatives and third parties (Jürgen, n.d). Most countries adopt a single cooperative act for all types of cooperatives (Jürgen, n.d).
Cooperative legislations shouldn’t aim to strengthen the state or the ruling party’s control over cooperatives, rather help its supervisory and regulatory functions (Fredrick, 2012).

**Formulate and Implement Cooperative Sector Development Strategy**

Overall or agricultural focused cooperative sector development strategies are developed by governments to lay out the roadmap of the activities and investment areas for government, the cooperatives themselves and other important actors. Integrated strategy that enhances the support of agricultural cooperatives contributes towards increasing the yields and incomes of smallholder farmers (Prakash, 2000).

Cooperative sector development strategies adopted by governments are crucial in making alignment between different organs of government in providing targeted services and support to cooperatives.

**Provide Financial Support to Cooperatives**

Access to capital by cooperatives is also critical, and has significant role in making available capital pools dedicated to supporting the establishment of new cooperatives, cooperative conversions, cooperative expansions and sector development in general (Adeler, 2009). Capital pools are made up of permanent capital owned and controlled by the cooperative community; governments play a significant role in creating and growing the capital pools through direct contributions or tax mechanisms that facilitate cooperative growth in countries.

There are also cases where governments incentivize cooperatives with in-kind support by giving land free of lease and sometimes by offering better price or contract for their products (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). This helps cooperatives financially as it reduces the amount of money they spend to acquire permanent assets like land and buildings.
Set up Government-Led Cooperative Sector Support and Capacity Building Organizations

1. Cooperative Education and Training Institutions

To realize well developed cooperative sector to the developmental pursuits of countries, governments often fund cooperative education and training institutions’ establishment and operation. This is to respond to acknowledged deficit in skilled labor in the sector and to develop more systematic, effective and appropriate provision for cooperative education and training. A Cooperative College has been an effective way to ensure the development and delivery of high-quality cooperative-focused content trainings at different levels in Kenya, Uganda, Tanzania, India, the Netherlands, and the United Kingdom (UK) (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

After independence, many African nations established specialized cooperative colleges or cooperative development centers. Such colleges offer long-term training courses for the personnel of cooperative societies and of cooperative departments, as well as medium and short term courses for elected cooperative leaders. Most of these cooperative colleges in Africa have received substantial, long-standing donor support and are still largely subsidized by the state (Jürgen, n.d).

Adeler stresses that the cooperative communities in Italy and Spain are both developed because of their key educational strategies. The federations there support cultivate research and development capacities as well as partnerships with universities for training and internship programs. Some cooperatives like Mondragon have even created their own university for cooperative education and skills development (Adeler, 2009), which provides a continuous supply of new, well-educated cooperative members, managers, and directors.

2. Governmental Cooperative Departments

Governments set up a single cooperative department that usually placed either under a ministry or is completely independent to develop and enforce laws and regulations (Jürgen, n.d). The most common function of such institutions and departments is overseeing and regulating the
cooperative sector by registering, supervise and liquidate cooperatives, formulating laws, regulations and strategies and enforce application of laws and lobbying for the sector

In many countries, however, these government cooperative departments are in additionally responsible for promotional activities and the provision of support services such as training, management advice and external audit (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

When these departments and institutions are established by restrictive laws, they gain too much power and became responsible for almost every aspect of cooperative management (Jürgen, n.d). Decisions concerning loans, investments, the appointment of senior staff, the holding of elections start to be made by government at different administrative levels and not the cooperatives themselves. In addition, cooperatives became subject to interference from other agencies and the ruling party, so that their elected Boards of Directors will be left with little decision making powers. As a result, the efficiency of cooperatives (in terms of services rendering to members and competitiveness) declines significantly.

2.5 Ethiopian Cooperative Movement History

In this section, it has been tried to cover what the landscape of the cooperative movement looked like in Ethiopia at different periods and time points in history. Most of the information was obtained from literatures, reports and study results by FCA, RCPAs and other bodies.

The history of cooperatives in Ethiopia could be seen in three historical moments. The first is from 1960 to 1974; the second 1974 to 1991 and the third from 1991 until now.

2.5.1 Cooperative Movement during Regime of Emperor Haileselassie I (1960-1974)

Modern form of cooperatives started in Ethiopia during the ruling era of Emperor Haileselassie I. In 1960 the first legislation called “Farm Workers Cooperatives Decree No44” was declared as Decree No.44/1960 (Kebebew, 1978). It was considered to be important in implementing the first five year development plan of the government (i.e. 1958-1962), and was meant to serve purposes of arranging cooperative production, processing, transportation and marketing of agricultural commodities (Kebebew, 1978). The decree states purposes and objectives of cooperatives as promotion of the economic interest of Ethiopia and of their members through
the efficient cultivation and development of land made available to them and the produced on said land. It also, without limiting the generality of the previous, entitled cooperatives to engage in cooperative production, processing, transportation and marketing of agricultural products and commodities; operating and administering livestock and agricultural and other machinery owned by the cooperative for the benefit of its members; promoting good farming and agricultural practices etc.

Ethiopian Air Line Workers Saving and Credit Cooperative (SACCO) was established in 1956 as pioneer cooperative (Emana & Nigussie, 2011). It was also believed that this SACCO came to existence with the experience of foreign workers in that organization. Decree No.44/1960 had no full version of cooperative proclamation and was only limited to agricultural cooperatives that didn’t incorporate cooperatives that were emerging in the country like SACCOs (Veerakumaran, 2007).

Cognizant of this fact, Cooperative Societies Proclamation No.241/1966 was enacted (Tegegne, 1984). The main reason stated for the enactment of this proclamation was that the people had understood the usefulness of cooperative activities and it was important to provide a proper basis to communities in other sectors for the formation of cooperative societies which shall promote thrift, mutual help and self-help among persons sharing common needs and desires (Veerakumaran, 2007).

Societies organized under this proclamation had as their principal purposes and objectives as the promotion, in accordance with cooperative principles and the requirements of social justice, of better living, better business and better methods of agricultural production (Emana & Nigussie, 2011)

By the end of second five year development plan (1963-1967) 14 cooperative societies (of which 12 in agriculture) were established and registered (Veerakumaran, 2007). Despite these achievements, the program was hindered by the shortage of trained cooperative personnel and lack of credit facility. When the third five year development plan was launched (1968-1973), it also stressed the need to work on the creation and expansion of cooperative societies to encourage community self-reliance. During this plan period at least 300 new cooperative societies were supposed to be established and registered. Though various efforts were made to
expand the cooperative movement in the country, the development was not as much as anticipated (Veerakumaran, 2007).

According to (Tegegne, 1984) during this period, the government contributed a lot for the development of cooperative movement by introducing of modern cooperative concepts, establishing independent appropriate authority to promote cooperative societies of different type, establishing of independent regulatory body (to register, audit and cooperative court) and setting up cooperative training institution (the community development training and demonstration center in Awassa).

2.5.2 The Post Revolution Cooperative Movement (1974 - 1991)

After the over throw of Haileselasse’s monarchical system in Ethiopia, the military junta came to power in 1974. During this regime, the peasant associations were given legality by proclamation no. 71/1975 (Emana & Nigussie, 2011). In this proclamation, the objectives, powers and duties of peasant associations, service cooperatives and agricultural producer cooperatives were clearly stated. The Cooperative Societies Proclamation No. 138/1978 was issued later in order to include other type of cooperatives like housing, thrift and credit and handicrafts etc (Veerakumaran, 2007).

However, there are sound claims that all the efforts made by the regime to restructure the cooperative movement based on these proclamations were essentially geared towards direct control of cooperative and turning them into government and political rather than socio economic development instruments (Tegegne, 1984).

Under Proclamation No.138/1978 two or more peasant associations were deemed to form service cooperative providing services to the members such as grain marketing, inputs supply & credit, tractors, transport, services and consumer goods supply. They were considered interim institutions for future massive socialist rural economic infrastructures and systems. In the early 1990 there were already 3,316 producers’ cooperatives and 525 service cooperatives in the country (Veerakumaran, 2007).

The lack of members’ full confidence and willingness were among what characterized the cooperative movement during this period in Ethiopia. Cooperatives were faced with
organizational, operational, leadership as well as production and distribution problems. In a situation where member’s participation was so passive and leadership appointed by the political cadres, wastefulness and embezzlement were inevitable (Alemu, Anulo, Tesfaye, & Hagos, 2010).

In the ten year plan of 1983/94, farmer members of producer cooperatives were expected to make up 52.7 percent of all the farmers in the country (Veerakumaran, 2007). This indicates that the plan disregarded about the democratic rights of individuals to be or not to be a member of the desired cooperatives, which is the central point of cooperative principles and values.

During the fall of Derg regime (May 1991) most of the agricultural cooperatives that had survived were looted and dismantled even by their members. Since cooperatives were seen as institutions of the regime, there was very little interested to rescue their property from looting & dismantling by thieves, dissatisfied members and corrupted management members (Alemu, Anulo, Tesfaye, & Hagos, 2010). Due to this fact, properties, money and documents of many cooperatives were taken and destroyed.

There were also positive contributions by the regime to the cooperative development of Ethiopia. The country witnessed expansion and promotion of different types of cooperatives. Introduction of distribution of consumer goods and extending agricultural credits (inputs, oxen, tractors, machinery, etc) through cooperatives, the establishment of cooperative training center at Ardaita, support in investment and infrastructural facilities, provision of domestic and international training to cooperative workers were among the major contributions of the Derg regime (Alemu, Anulo, Tesfaye, & Hagos, 2010).

2.5.3 Ethiopian Cooperative Movement in the Post 1991 Period

After the downfall of the Derg regime, there was a gap between 1991 and 1995 in the cooperative movement of Ethiopia. This gap was created due to the fact that the government’s attention was mainly drawn towards stabilizing, bringing peace and creating administration organs (Emana & Nigussie, 2011). Later on, due to cooperative experts’ dedication and devotion and the government’s commitment towards cooperative development, it became necessary to enact new cooperative proclamation which suits to the new economic system (Alemu, Anulo, Tesfaye, & Hagos, 2010).
Subsequently agricultural Cooperative Societies Proclamation No.85/1994 was issued and to according to it, individuals who are supposed to be voluntarily members must have similar type of work and interest. Any kind of discrimination or influence based on religion, sex, and political outlook shall not be made on those who want to be members. A society shall carryout any of its activities on a democratic basis. One member shall have only one vote; respect the benefits of any dismissed member in accordance with the by-laws of the society; appropriation of net surplus after deduction for reserve, for the expansion of cooperative work, and for social services (Proclamation No. 85/1994 Agricultural Cooperative Societies Proclamation, 1994).

The proclamation was generally featured by the principles of cooperation such as voluntary formation, business orientation and democratic member control. However the proclamation dealt only with agricultural cooperatives to the neglect of societies in other sectors. Consequently, proclamation No. 85/1994 was replaced by a more comprehensive and multi-sectorial cooperatives promotion proclamation No.147/1998 which laid the ground for the development of all kinds of cooperative societies at different levels (Emana & Nigussie, 2011).

As a continuation of the effort government took different measures to make fundamental changes to develop the cooperative sector in Ethiopia. These measures include, organizing and reorganizing different types of agricultural cooperative societies and establishing cooperative promotion bureaus/ offices in regions (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). In the Federal government, the cooperative promotion desk under the Prime Minister office was established before moving out as a commission and then agency (Emana & Nigussie, 2011). A proclamation No. 147/1998 to provide for the establishment of cooperative societies had been also declared by the federal government to bring all types of cooperative societies under one umbrella. This proclamation is known to fully consider international principles of cooperatives. Later on the Federal Cooperative Commission (the currently Federal Cooperative Agency) based on proclamation no. 274/ 2002 was established in 2002. Moreover, to correct the short-comings in the proclamation 147/1998 amendment 402/2002 and regulation number 106/2002 became important instrumental documents in the cooperative movement of the country. As a result, improvements have been seen in performance and growth perspectives of agricultural cooperatives in particular cooperatives in general in the country (Emana & Nigussie, 2011).
Agricultural primary cooperatives and cooperative unions in the country are now engaged in; distributing agricultural inputs; providing loan to their members; marketing member produces in the domestic and foreign market; paying dividend to members, etc.

In addition, there has been a significant increase in the number of primary and cooperative unions of different types as well as number of member beneficiaries in agricultural cooperatives. Trained man power in the sector is increasing through universities and colleges. The development of cooperative curriculum since 1996 by the higher learning institutions has been instrumental in the history of cooperatives in Ethiopia in providing trained work force. Mekelle, Haramaya, Hawassa, Wello, Ambo, Mizan-Tepi, and other universities provide Cooperatives Education at Bachelor and Master’s Degree levels (Emana & Nigussie, 2011).

2.6 Government Support and Engagement with Agricultural Cooperatives in Ethiopia

As it can be seen from the above notes on the history of cooperative movement in Ethiopia, government has always been involved in supporting cooperatives and particularly agricultural ones in many aspects. This is because it was always understood that a strong cooperatives sector will contribute to the countries development with employment opportunities, modernization of farming, value addition and other economic roles in the rural part. As such, also the current government has put in place framework through which cooperatives can be organized and operate and cooperative support structures at different levels of its administration (Emana & Nigussie, 2011).

2.6.1 Current Ethiopian Agricultural Cooperative Movement Structure

Based on the Federal Cooperatives Proclamation No-147/94 article 6 (1) and regional proclamations, cooperatives can be established and organized from primary cooperative to cooperative unions and federations.

At the local level, primary cooperatives often focus on agricultural production and farmer-level aggregation and distribution, often linking with higher-tier cooperatives for more advanced and centralized services (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).
The second level of cooperatives that are referred as cooperative unions operates at a higher scale, often at a zonal level. According to the cooperative proclamation, this secondary level of cooperatives is meant to lead role in provision of many services to farmers including procuring inputs from suppliers, facilitating quality-control extension for members, linking with systematic output purchasers while providing value-added storage and processing, and expanding to other services over time, like seed production and sale of consumable goods. Primary cooperatives often form these second-level cooperatives around one commodity or a set of similar commodities, like coffee, dairy, or cereals (Emana & Nigussie, 2011).

**Cooperative Federations**

Currently, cooperative federations in Ethiopia are established by cooperative unions and in some cases (in SNNPR) together with primary cooperatives (Alemu, Anulo, Tesfaye, & Hagos, 2010). Accordingly, there are three cooperative federations in Oromia, SNNPR and Tigray playing their roles at different levels. It is stated in the same source that there are two debatable ideas about the establishment of cooperatives federation in the country. The first idea argues for establishment of only one federation at national level, while the second recommends to have different federations at regional levels with fourth level (tier) organization at national level.

**Cooperative Unions**

The way cooperative unions are organized varies from region to region. In Tigray, unions are established based on socio-economic conditions at Weredas while in Oromia and Amhara, they are established considering socio-economic circumstances and Wereda, Zone and Regional levels (Alemu, Anulo, Tesfaye, & Hagos, 2010). In SNNPRS, it is mainly based on zones and special weredas even though there are some unions established considering type of agricultural product or services provided to members.

**Primary Cooperatives**

In Tigray, primary cooperatives are established per kebele (Kushet) administration while in the other three regions they are established per Kebele or more than one Kebeles considering the geographic location and population size. There are also other arrangements based on the type of
activities such as irrigation, fattening, mining, and natural resources conservation primary cooperatives (Ibid).

2.6.2 Governance, Institutional Structure, Roles and Responsibilities in the Cooperative Movement

General Assembly

The general assembly of cooperatives serves as the upper decision making body and the board represented by elected members of the general assembly serves as executive body. According to federal and regional proclamations, the general assembly of a cooperative meets at least once in a year to follow up general issues (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). Practically, primary cooperatives and unions undertake one or more times general assembly meetings in a year.

In general, the main activities during these meetings are: elections, approval of annual and other plans, listening reports, performance evaluation, and approval of remedy options, listening and approving audit reports, updating and approving regulations and guidelines, deciding share size and price, deciding on merger or dissolution of cooperatives, and deciding on new memberships or cancelling of memberships.

The Board/Executive Committee

The board/executive committee members are elected from the general assembly members. With some variation among cooperatives, the board/executive committee members meet once in every two week or once in every month in order to execute what has been decided by the general assembly (Alemu, Anulo, Tesfaye, & Hagos, 2010).

This is done mainly through; developing plans to implement decisions of the general assembly, evaluating staff and different committees' performance, addressing emerging problems, and following up their implementation, listing the activities to be performed by the general manager (GM) in cooperation with GM and following up their execution, and making additional decisions as required for issues that have been decided by the general assembly. In addition to this, the board can hold immediate meetings to deal with urgent issues as need arise.
Controlling Committee

Controlling committee members are assigned by the general assembly mainly to monitor the execution of cooperative activities according to the decision made by general assembly, internal policies and guidelines (Ibid). The most common major duties of the committee include: monitoring and evaluating the different activities of the cooperative by checking whether they are implemented as per regulations and guidelines, monitoring whether the board/executive committee is performing according to the responsibility given to it by the general assembly; and monitoring whether the cooperatives assets and financial resources are managed as per the rules and regulation and report the findings to the general assembly.

Sub-committees

In order to support the activities of the board/executive committee, the general assembly assigns various sub-committees, which are commonly credit, education and awareness creation, sales and procurement, gender, bid committees etc. However, there are differences on the types and role of sub-committees from region to region and cooperative to cooperatives (Emana & Nigussie, 2011).

Employees

Employees of cooperatives undertake the day-to-day activities for implementation of decisions made by the general assembly and the general operations of cooperatives. They are directly supervised the manager with close overseeing by the board/executive committee. With variation among cooperatives, the most common way of organizing cooperative employees is to set up office of the general manager and deputy manager, accountants, personnel and property management, and sales and procurement (Alemu, Anulo, Tesfaye, & Hagos , 2010).

Cooperative Decision Making Process

Decision-making and execution process are usually made based on proclamation power vested on the general assembly and other management organs of cooperatives (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). The general assembly is responsible for decisions and follows up of policy and strategic
issues of the cooperative and the board/executive committee and employed management staffs are responsible in implementation of what has been decided by the general assembly and day-to-day activities of cooperatives.
Chapter Three  
Data Analysis and Presentation

3.1 Profile and Background of Respondents

This chapter covers analysis made based on data acquired from FCA, RCPAs, rural agricultural primary cooperatives (coffee, fruits and vegetables, and seed producers) and cooperative unions in Amhara, Oromia, SNNPR and Tigray regions. In total, 116 respondents responded to questionnaires while three experts were interviewed from FCA, Tigray and SNNPR RCPAs on the general support government provides to capacitate agricultural cooperatives. The profile and backgrounds of the questionnaire respondents are explained first. After that, this chapter describes the findings of the study on the government cooperative support structure and how it engages with agricultural cooperatives to support them followed by statistical analysis of data gathered from primary cooperatives and cooperative unions. In doing that, it tries to relate the information gathered to the research questions stated in the first chapter.

<table>
<thead>
<tr>
<th>Description</th>
<th>Data/finding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex of respondents</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>103</td>
</tr>
<tr>
<td>Female</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>116</td>
</tr>
</tbody>
</table>

**Level of cooperatives surveyed**

<table>
<thead>
<tr>
<th>Description</th>
<th>Data/finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union</td>
<td>5</td>
</tr>
<tr>
<td>Primary Cooperatives</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
</tr>
</tbody>
</table>

**Type of unions surveyed**

<table>
<thead>
<tr>
<th>Description</th>
<th>Data/finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Multipurpose</td>
<td>5</td>
</tr>
<tr>
<td>Crop Specific</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5</td>
</tr>
</tbody>
</table>

**Type of primary cooperatives surveyed**

<table>
<thead>
<tr>
<th>Description</th>
<th>Data/finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Multipurpose</td>
<td>22</td>
</tr>
<tr>
<td>Crop Specific</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25</td>
</tr>
</tbody>
</table>

*Source: Author’s Survey, 2014.*

The number of people in studied agricultural primary cooperative and unions that responded to questionnaires and their sex ratio as is revealed in table 1 above is that 89% were male members.
holding different positions in the cooperatives and employees from different departments while the rest 11% were females. The study covered 5 cooperative unions and 25 one crop specific and multipurpose primary cooperatives. All the unions were agricultural multipurpose ones while 88% and 12% of the primary cooperatives were agricultural multipurpose and crop specific, respectively.

Efforts were also made to get a good representative number of ordinary members, leaders and employees of cooperatives at different levels. Table 2 below presents the number and responsibilities or roles of respondents in cooperatives targeted for this study. Out of the total 116 respondents, there were 40% ordinary members, 21% board members, 9% controlling committee members, 15% other committee members and 16% employees of different responsibilities. This composition of respondents is hoped to have ensured that there is representation of different stakeholder views and perspectives in the responses and comments given on how the government engages with cooperatives and their autonomy.

Table 2: Roles of respondents in cooperatives

<table>
<thead>
<tr>
<th>Responsibilities of respondent in cooperatives</th>
<th>Board member</th>
<th>Controlling committee member</th>
<th>Other Committee member</th>
<th>Ordinary member</th>
<th>Employee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
<td>24</td>
<td>11</td>
<td>17</td>
<td>46</td>
<td>18</td>
<td>116</td>
</tr>
<tr>
<td>Percentage</td>
<td>21</td>
<td>9</td>
<td>15</td>
<td>40</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

Another important aspect of the agricultural cooperatives that were contacted for this study purpose is the year of their establishment. It was important to find out the composition of cooperatives that were established before and after 1991, the year the current regime took power and introduced new cooperative proclamations in later years. As it can be seen from table 3 below, all the unions addressed were formed in the present regime, whereas for the primary cooperatives, 28% and 72% of them were formed before and after 1991 respectively.

Table 3: Period of cooperatives’ and unions’ establishment

<table>
<thead>
<tr>
<th>Year of establishment</th>
<th>Union</th>
<th>Percentage</th>
<th>Primary Cooperative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1991</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Post 1991</td>
<td>5</td>
<td>100</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author's Survey, 2014.
In total, 5 cooperative unions and 25 primary cooperatives were covered in this study from four agriculturally most important regions in Ethiopia: Amhara, Oromia, SNNPR and Tigray.

Table 4: Distribution of targeted cooperatives and unions per region

<table>
<thead>
<tr>
<th>Regions</th>
<th>Number of covered</th>
<th>Percentage</th>
<th>Number of covered</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amhara</td>
<td>1</td>
<td>20</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Oromia</td>
<td>1</td>
<td>20</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>SNNPR</td>
<td>1</td>
<td>20</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Tigray</td>
<td>2</td>
<td>40</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

3.2 Government Support to Agricultural Cooperatives

In order to understand how government support to agricultural cooperatives is affecting their autonomy, it is very important to first know how the government provides the support and what government institutions it uses to implement. Accordingly, the researcher has studied and presented the findings about the government institutions/structures that provide support to agricultural cooperatives, how they are organized and the kind of support they provide. The information was mainly obtained from reports and study documents provided by FCA and interviews with experts.

The primary government cooperative offices that oversee, regulate and support the Ethiopian cooperative movement are the Federal Cooperative Agency (FCA) at the federal level and Regional Cooperative Promotion Agencies (RCPAs) at the regional level, the latters of which oversees Zone and Woreda cooperative promotion offices.

These government’s cooperative support bodies play roles of capacitating and enabling cooperatives at different levels from federal to regions and other lower level administrative structures. According to FCA and RCPAs the supports these bodies provide to agricultural cooperatives are mainly around cooperative services, professional training, legal service, access to finance, and material or infrastructural development.
The modes of supports provided to agricultural cooperatives by these executive organizations vary from region to region depending on their different organizational structures. However, generally the supports aim at capacitating and enabling cooperatives to operate independently with efficiency and effectiveness. In more detail, the main types of services/support provided to cooperatives by support and promotion organizations are: organizing and registration; support in conducting regular and extraordinary general assembly meetings, auditing, credit and credit administration, input multiplication, supply and distribution, product marketing, consumable goods supply and distributions, legal services, capacity building, and agricultural cooperative extension.

**Organization and Registration Service**

By proclamation, it is the responsibility of Cooperatives Promotion Offices to organize and register cooperatives. Previously, the cooperative registration service used to be carried out only at regional levels, and now is also being delivered by Zones, Special Weredas, Weredas, and City Administrations.

The establishment of cooperatives is mainly carried out through the cooperative promotion office plan. According to the people interviewed, these plans sometimes fail to incorporate the interest of the community on forming the cooperatives and whether working conditions are conducive or not to organize and register cooperatives.

Limited consideration of the rules and regulation in establishing cooperatives coupled with lack of awareness creation activity to potential members about the need and importance of cooperatives, their principles and values, how they work, and rights and responsibilities of members etc both before and after the establishment of cooperative are stated as the challenges of government’s support in this aspect by the cooperative experts.

While cooperative registration service is rendered at Zonal and Wereda levels to enable ease of access to such services, this has let various cooperatives at different levels to be set up without meeting requirements. Most of such cooperatives, therefore, fail to carry out their duties appropriately in later stages.
Support to Conduct Regular and Extraordinary General Assemblies

Information acquired by interviews conducted with employees in FCA and RCPAs indicate that regular and extraordinary general assembly meetings are carried out more or less timely in cooperative federations and unions levels. However, in most primary cooperatives, these meetings are not held on regular time basis, and even if they are conducted, it is mostly with the initiation and support of cooperative agencies and local cooperative promotion and administrative bodies. It is with the aim of promoting members participation and decision making in cooperatives that the government bodies support these kinds of supports.

One of the interviewed experts stated that this has enabled cooperatives to hold their meetings on due times. However, most of the time the agendas in the meetings are influenced to focus on local administrative matters, impeding members’ participation in their cooperative matters, limiting opportunities to deeply discuss significant issues of the cooperatives such as performance reports, audit reports, plans and other issues requiring members decisions. The support from government to cooperatives to make them conduct regular meetings and enable cooperatives handle their own matters suffers highly from lack of awareness by members about the importance of participating in general assembly meetings, failure from cooperative promotion agencies side to provide the required support taking into consideration the weaknesses and strengths of cooperatives and failure to utilize their legal privileges to intervene and make general assembly meetings happen regularly and as per the bylaws.

Cooperative Auditing

Cooperatives Proclamation No 147/98 provides that cooperative promotion agencies are expected to provide timely auditing services to avoid wastage of properties owned by cooperatives. In addition to this, regional cooperative proclamations give privilege to the cooperative agencies to intervene in cooperatives and prevent cooperative property and financial wastages.

However, sources addressed for this research indicate that these services are not being executed in the appropriate and timely manner, with some primary cooperatives and unions having been never audited. For example, FCA reports show that only 37% of primary cooperatives and 25%
of cooperative unions were audited in 2010 (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

In addition to the above problem, the auditing support is said to lack support of qualified and experienced personnel in the cooperatives with required profession to handle the task of keeping financial records, adjusting balances and providing support in a satisfactory manner. Hence, auditors are forced to engage in the adjustment and inspection of balances, greatly affecting the quality and coverage of auditing activities.

It was also claimed by the RCPAs that there is high cooperative auditors’ turnover rate resulting in low number of cooperative auditors to further decline the number of cooperatives that get audit service each year.

**Credit Supply and Administration Support**

The government cooperative support structure also provides credit services to cooperatives to improve their access to financing, improved agricultural technologies, availability of working capitals, and supporting the construction of infrastructures beneficial to the activities of cooperatives like office buildings and warehouses.

The most common facilitation of access to credit to cooperatives is more or less related with the provision of agricultural inputs, particularly improved seeds, and fertilizers (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012). Credit services facilitation activities include provision of guarantee, establishing and assisting institutions that provide credit services (SACCOs), providing technical assistance on credit utilization and administration, and assisting the timely repayment of credits. In 2012 alone regional governments had given guarantee to Commercial Bank of Ethiopia to extend 100 million Birr loan sesame aggregation and export.

The credit services facilitated for cooperatives is mostly for the purchase of seeds and fertilizers, and for other inputs such as farm implements, animal feeds, pesticides and herbicides, seeds of vegetables and seedlings of fruits. The credit service facilitation support provided for cooperatives limits decision making power of cooperative in the area of price setting and beneficiary selection as they are forced to serve both members and non-members.
equally and sell inputs at the same prices (Ministry of Agriculture, Federal Cooperative Agency and Ethiopian Agricultural Transformation Agency, 2012).

In general, according to the experts interviewed, the major problems associated with support provided to cooperatives in terms of facilitation of access to credit are low credit supply as compared to what the cooperative’s demand and while the activities of cooperatives necessitate short, medium, and long-term credits, only short-term credit services are facilitated. This prevents them from engaging themselves in long-term investment activities to improve their marketing and value addition activities sustainably.

Supports for the Multiplication, Supply, and Distribution of Agricultural Inputs

Being the first and foremost set of services provided by cooperatives to their members and non-members, agricultural inputs multiplication, supply and distribution activities in Ethiopia are highly dependent upon cooperatives. However, linked with the problems of the national input marketing and cooperative support system, the cooperative input multiplication, supply and distribution faces a number of problems (Emana & Nigussie, 2011).

Problem associated with assessment of demand for inputs is presented as the major one. It emanates from changes in demand of beneficiaries at the time of demand estimation and actual purchase (member and non-member farmers). This is mainly caused by the fact that assessment of demands is performed mostly by agricultural offices (from bottom to the top) when it was supposed to be done by the input distributors, the cooperatives themselves. Similarly, the setting of plans by the agricultural and Woreda or Zone administration offices reduces the possibility of planning by the cooperatives themselves as independent business entities. Thus, limiting the consideration of business risks and efficiently manage resources like warehouses, human and financial resources.

Information obtained from the Ministry of Agriculture show that agricultural inputs particularly fertilizer worth millions of dollars are left over at primary cooperatives and unions each year because the demand are over estimated by the government agencies. For instance 2011 and 2013 alone there was 33% and 49% (267,476 & 570,440 quintals) DAP and Urea fertilizers respectively left over in cooperatives in the country (MoA). As part of this is spoiled and
disposed, it costs the government hard earned foreign currency and the cooperatives and ultimately the farmers in storage and higher fertilizer prices.

It also found out from FCA that input price setting is the responsibility of the regional bureaus of agriculture and that this approach limits the benefit cooperatives can gain from the operations as they have to sell input at predetermined prices.

In general, the support provided to cooperatives in area of agricultural input multiplication, supply and distribution treats cooperatives as not independent business entities rather it strives to make sure that the plans of the government in terms of agricultural input distribution are met.

**Supports for Output Marketing**

One of the services provided by cooperatives to farmers is output marketing. In this regard, the role of supporting organizations for effective involvement of cooperatives in output marketing is vital. The supports provided to cooperatives in this regard, depending on circumstances in every region, are providing market information to cooperatives, assisting cooperatives to establish market linkages, performing market promotion, assisting maintenance of quality standards, and capacity building in output marketing specifically by organizing various training services to cooperatives.

However, report evidences from FCA show that the supports provided in output marketing are low. Unavailability of modern information technology and lack of up-to-date skills in the supporting organizations hinders them from providing cooperatives with timely market information, which would help cooperatives to make profits from output marketing activities. Shortage of skilled manpower in the supporting organizations is another challenge.

**Consumable Goods Supply and Marketing Supports**

Supply of consumable goods is one of the services provided by cooperatives to their members and non-members mainly to ensure the availability of goods such as sugar, edible oil, and detergents locally in a timesaving and cost effective manner. Government also works to help cooperatives perform their role in this regard by assisting them to obtain market information and linking them with producers and importers of consumable goods.
Legal Services

Legal supports to cooperatives come from cooperative promotion and support bodies that provide direct legal supports by their own legal practitioners to cooperatives, and justice bodies providing various forms of legal supports to cooperatives. Legal service supports are provided by legal professionals of cooperative agencies include organizing information on legal issues, provide support to start lawsuits, and, if necessary, start lawsuits directly; provide legal support when cooperatives are under formation and liquidation; training cooperative members on legal issues concerning cooperatives.

However, these bodies encounter multiple problems in trying to provide legal services to cooperatives including; shortage of legal practitioners in cooperative support bodies at different levels; high turnover rate of the law professionals resulting not enough legal support for cooperatives; failure of legal practitioners to carry out adequate awareness-building activities to develop the legal knowledge of staff and members in cooperatives; lack of awareness about cooperative proclamations, rules and regulations in cooperatives; and absence of trainings on new and amended legal provisions to legal practitioners working in cooperatives, resulting in gaps in the services.

Support with Capacity Building Trainings

Cooperative promotion agencies and cooperatives development offices at various levels provide capacity building trainings on various topics to cooperatives. According to FCA, over the years these supports have built the capacities of a number of agricultural cooperatives around the country and that of the supporting bodies themselves.

However, a number of problems are claimed to exist in the capacity building effort to cooperatives by FCA itself, RCPAs, cooperatives and other stakeholders. The major issues are provision of redundant trainings that don’t address existing and actual needs and problems of cooperatives linked with the fact that trainings are not planned and developed based on need assessment; trainings not backed by practical exposure and experiences; overlapping roles of federal and regional cooperative agencies in capacity building training activities; duplication of efforts and not economic use of resources; absence of trainee selection criteria; repeated
participation of trainees and training subject; and absence of a system to follow up on training feedbacks.

The main causes of the above problems are identified by FCA as lack of capacity building and training policies and corresponding implementation manuals. This is also associated with the absence of national and regional cooperative training institutions, where cooperative experts, members, management staff and employees could be given practical trainings.

**Cooperatives Development Extension**

The cooperatives development extension activities provided by government supporting bodies can be categorized into two aspects. The first aspect deals with activities related with the promotion of awareness about principles, values, and establishment procedures of cooperatives prior to their establishment. The other aspect deals with post-establishment cooperatives development extension services, which includes supports like building members’ awareness on advantages of involvement in their cooperative society activities, rights and obligation of members; how cooperatives work; business skills in cooperatives; and proclamations, rules and regulation that govern cooperatives.

Experts interviewed agree that there is strong structure established to conduct these cooperative development extension supports to cooperatives. However, it has very low accessibility and effect on the cooperatives, which is mainly due to the fact that the extension supports are not appropriately planned and executed along with lack of clear accountability among the different organizations that provide the services.

Furthermore, limited attention to cooperative extension activities at various levels of the support structure; lack of professional skills of cooperatives promotion staff in extension at Kebele levels where most of the extension work should be done; limited availability of required facilities for Kebele level cooperative extension and development work staff (audiovisual equipment, teaching manuals, and other materials); limited number of cooperative extension workers; lack of required facilities at Farmer Training Centers (FTCs) and the limited awareness to use them as facilities for cooperative extension activities are among the prominent challenges of government’s extension service to cooperatives.
3.3 Areas of Government Support and Autonomy of Agricultural Cooperatives

Having described the profile of the respondents, the cooperatives targeted for this study and the most common types of government support to agricultural cooperatives in Ethiopia, this section of the study turns to analysis of responses given by cooperatives, unions and experts about government support to agricultural cooperatives and its effect on their autonomy. After establishing that all cooperatives and unions covered in the study receive support from the government, this section then describes with which level of government support body the covered cooperatives interact with, what type of support engagement the government has with the cooperatives, and how the government involves in these supporting activities.

Table 5 below reveals that all cooperatives and unions addressed receive support from the government. The high involvement of government support can be explained by the stand and commitment of government to develop the cooperative sector as described in previous chapters. This could also be understood as the manifestation of repeated expressions of the government’s commitment to capacitate agricultural cooperatives as driving force of rural development and to improve economic conditions of their members and others.

Concerning the level of cooperative support structure that is involved in giving support to unions and primary cooperatives, there is difference between supports to unions and primary cooperatives. To be precise, unions receive support mostly from federal (92%), regional (100%), zonal (100%), and significantly from woreda (52%) levels, but none from kebele levels. On the other hand, the primary cooperatives covered receive no support from federal level, but do receive support from the kebele level (12%). In addition to that, they receive some support from the regional level (15%), significantly from zonal (58%) and for the majority from woreda (100%) levels. These differences can be explained by the fact in the hierarchy of cooperative promotion offices and agencies; most of the work to support and capacitate cooperatives is done at lower levels while the upper bodies do overseeing and regulation of the sector for most of the time and fill gaps by supporting unions where the lower cooperative structures lack the capacity to do so.

Lastly, it is important to gain insight in how governments involve in union/cooperative activities. Most important thing in this respect is the government’s initiative as a reason to
provide support for cooperative sector and accelerate rural development. For unions, 92% of
the time this is the case, compared to 52% request from non-governmental and aid
organizations and 44% based on request from the union. Also for primary cooperatives, the
government’s initiative to strengthen the cooperative sector and accelerate rural development is
most common (93%), compared to support based on request from the cooperatives (67%) and
request from non-governmental and aid organizations (13%). Other reasons for involvement or
support of the government are also present (12% for unions; 16% for primary cooperatives). As
mentioned by the respondents these other reasons are complaints by cooperative member on the
administration, agricultural productivity increase campaign programs, inspections, auditing and
so on. This confirms that government is important initiator of support for cooperatives.

Table 5: Government support for cooperatives, level and start of its provision

<table>
<thead>
<tr>
<th>Questions and response choices</th>
<th>Union</th>
<th>Primary Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Availability of government support to cooperative/union</td>
<td>Number of respondents</td>
<td>Percentage</td>
</tr>
<tr>
<td>Yes</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>2. Level of government/administration from which support is provided to cooperative/union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>23</td>
<td>92</td>
</tr>
<tr>
<td>Regional</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Zonal</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Woreda</td>
<td>13</td>
<td>52</td>
</tr>
<tr>
<td>Kebele</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>3. Reason for government to support cooperatives/union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Request from cooperative/union</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Government’s initiative to strengthen the cooperative sector and accelerate rural development</td>
<td>23</td>
<td>92</td>
</tr>
<tr>
<td>Request from non-governmental and aid organizations</td>
<td>13</td>
<td>52</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.
3.4 Government Role in Cooperative Membership, Leadership, and Business

As it was mentioned earlier and confirmed by the study respondents, the government support bodies are involved with cooperatives from their inception by facilitating membership, setting membership criteria, leadership election and choosing their courses of business. What is clearly revealed in the table below is that the government’s role is strongest in setting up cooperatives and unions, as compared to membership, leadership and business related aspects. To be precise, 100% of the respondents reported that the government played a role in the promotion of cooperative membership in the community and encouraging them to become members. Secondly, in the setting up phase of cooperatives and unions, the government’s role is strong in facilitating cooperative establishment paper work (75%). On the third and fourth place come drafting the establishment documents (72%) and setting up management (53%).

This confirms what the government claims to be the leading actor in the establishment of over 12,000 (FCA) agricultural cooperatives and unions in the country. In addition, this is evidence that the government is a key player in the creation of cooperatives and unions that could grow and play important role in improving small holder farmers’ income.

In addition, the cooperative unions and primary cooperatives specified that they are provided with accounting books, models and other important forms that help understand and operate the cooperative business for beginners.

With regard to membership, leadership, and business related issues, the government’s role is present, but less strongly. For instance, people become member of the cooperative willingly for 100%, without any force from the government. Moreover, 84% of the cooperatives and unions set their own membership criteria, rather than the government.

In leadership election, only 23% reported that the government has a role in this, which means that 77% of the respondents are free of government involvement in this process. Here how respondents informed the government involved in leaders’ election is that, cooperative promoters from woredas and zones participate, facilitate and sometimes even lead general assembly meetings and get chance to indicate and imply people who should work in different positions in cooperatives and unions.
Practically, cooperative members’ regular and extraordinary general assembly meetings ensure a democratic management of cooperative activities and the involvement of each member in their cooperative society. Carrying out these meetings in a democratic manner contributes to the advancement of cooperatives. While it is the responsibility of the governance of cooperatives to hold these meetings on a timely basis, it is evident that from the responses that there is close involvement by the government in conducting these meetings.

This indicates that agricultural cooperatives don’t enjoy full freedom in choosing their leaders and there is government intervention in this aspect. In the interviews conducted with experts from RCPAs some tried to justify this is due to the fact that most members of cooperatives are illiterate and could benefit from expert assistance in meeting management, following rules and procedures, leader election and other general cooperative governance aspects. As it was mentioned in the second chapter, Nelson showed that cooperative sectors in some African countries suffered from corruption and mismanagement of resources that resulted from patronage and state appointed cooperative leaders. As such, the numbers above indicate that the Ethiopian government’s approach in this aspect is making cooperatives prone to the same challenge.

Concerning the kinds of services unions and cooperatives should render and to who, the government has a relatively larger say compared to the previous two, with 63% of the respondents saying the government has a role or dictate in these decisions.

For most respondents that think government intervenes in their business, it starts with the formation of the cooperatives. They mentioned that from the inception a cooperative or a union is formed to engage in a more or less predetermined business by the government.

It was also indicated by the cooperative and union respondents that government engages in the business activities they conduct. What was reported frequently is that, they sell agricultural inputs (fertilizer and improved seed) supplied by government agencies to member and non-member farmers at the same price regardless of its profitability and their willingness to do it. The cooperative members are forced to bear cost and risks of the input retail business just because government uses them as a distribution channel. Moreover, they have little or no say in the quantity that is delivered and the retail prices for these products. This is said to causes
cooperatives specially the primary ones to incur costs that often can’t be covered with the business incomes and are forced to make loss.

As indicated Fredrick however, (Fredrick, 2012) such government support approach makes cooperatives lose their voluntary and self-led natures. Cooperatives are less likely to succeed if the members are not in charge and decide on all their internal affairs. Thus, it is not right for external bodies to forcefully decide what business activities cooperatives should do.

Table 6: Government’s role in cooperative membership, leadership, and business

<table>
<thead>
<tr>
<th>Questions and response choices</th>
<th>Number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Role of government in setting up cooperative/union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion cooperative membership in the community and encouraging them to become members</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>Setting up the cooperative/union management</td>
<td>61</td>
<td>53</td>
</tr>
<tr>
<td>Drafting the cooperative/union establishment documents</td>
<td>83</td>
<td>72</td>
</tr>
<tr>
<td>Facilitate the paper work (registering members, issuing IDs etc.)</td>
<td>87</td>
<td>75</td>
</tr>
<tr>
<td>Others</td>
<td>37</td>
<td>32</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td>2. How people/cooperatives become member of cooperative/union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingly</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>Forced by government</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td>3. Setting cooperative/union membership criteria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative/union</td>
<td>97</td>
<td>84</td>
</tr>
<tr>
<td>Government</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td>4. Existence of government’s role in cooperative/union leadership election</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>No</td>
<td>89</td>
<td>77</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td>5. Government has role in deciding what kind of service and to whom cooperative/union should render to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>73</td>
<td>63</td>
</tr>
<tr>
<td>No</td>
<td>43</td>
<td>37</td>
</tr>
<tr>
<td>Total number of respondents</td>
<td>116</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author’s Survey, 2014.*
3.5 Material, Training and Service Support for Cooperatives

As indicated in the literature review, governments support to capacitate cooperatives can be of multiple types. Below it has been tried to find out how the FCA and RCPAs support the agricultural cooperatives in light of what is claimed to be provide to capacitate cooperatives and enhance their performances.

As it is revealed by the three charts below, the focus of government support is in service support, and professional training support, rather than in material one. In fact, only 18% of the respondents mentioned they receive material support from the government, compared to 86% who receive professional training support, and 94% who receive service support.

The material supports mentioned by the respondents to have been offered by the government were land, warehouse construction financial support and use of government facilities when needed (e.g woreda meeting hall, Farmer Training Centers FTCs).

From this information, with most cooperative in Ethiopia facing material and financial constraints (FCA), it can be understood that the most challenging aspect of cooperative development is given less attention. In the researcher’s opinion, this is the limitation of governments support to cooperatives.

Figure 2: Government material support to cooperatives

Source: Author’s Survey, 2014.
Concerning the professional training support, it can be seen from figure 3 below that the 86% of the respondents from cooperatives and unions said that they receive professional trainings from the government. They mention cooperative management, accounting, marketing, product quality control, agricultural input handling and distribution and so on as examples of trainings provided to them. Very few at the unions said they received training on international trading from the government to capacitate their cooperative/union human resource. The other 16% say they don’t receive any training supports by the government.

As the experiences of countries like Kenya, Uganda, Tanzania, India, the Netherlands, and the United Kingdom shared in chapter two indicate, trainings are vital to better performance and growth of cooperatives. Hence, Ethiopian government’s effort to respond to acknowledged and skill need of agricultural cooperatives by providing trainings is important in capacitating them.

Figure 3: Government professional training support to cooperatives

![Professional Training Support from Government](image)

Source: Author’s Survey, 2014.

With regard to the service supports from the governments, 94% of the respondents reported that their cooperative/union is provided with service support. The services mentioned here are very similar to, if not the same with what are covered earlier in this chapter as government support to cooperatives. They are auditing, inspection, agricultural input delivery, legal service, cooperative development extension services and so on. This is explained to have tremendous positive effect in cooperative/union performance by the respondents.
3.6 Government Role in Cooperative Business Area Selection and Procedure Setting

The government also participates in business activity planning for cooperatives and the development of managerial, financial and other cooperative management procedures. In this aspect, presented in table 7 below, the highest proportion of government’s involvement and support engagement is reported in the writing of establishment documents, with 59% of the respondents reporting of this role. Concerning other roles the government takes, 34% of the respondents reported government involvement in selection and decisions of cooperative business activities, and similar amount (37%) in setting up business running rules and procedures. Again, what was reported most frequently is that government decides for cooperatives what to sell, how much to sell it for, who to sell it to, when and so on. The fact that these decisions are not internal to cooperatives poses challenge on performance of cooperatives. From the above numbers it can be concluded that the government’s role situates itself in several aspects of business activities, with a focus on the writing and establishment of documents for cooperatives/unions. This can be explained by part government plays in initiating cooperative formation and registration cooperatives.

This role the government plays is supported by experts interviewed for this study as they see cooperative members to have limited capacity in documentation, management and control mechanisms and skills at early stages of their formations. According to them, going forward, as the cooperatives mature, these roles are meant to be left for the members themselves.
However, cooperatives are often observed engaged in business that are in line with governments rural development strategies and not necessary in the interest of the cooperatives. This is a threat that the agricultural cooperatives are cooperatives only by name but government instruments that will collapse and stop functioning if the government withdraws its involvement like in the experience of state-led cooperatives described by Shaw in chapter two.

Table 7: Government role in establishing cooperatives

<table>
<thead>
<tr>
<th>Questions and response choices</th>
<th>Responses</th>
<th>Number of respondent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government plays role in writing cooperative/union bylaw, memorandum of association and other establishment documents</td>
<td>Yes</td>
<td>69</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>47</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>2. Government plays role in selecting and deciding what main business activity of cooperative/union should be</td>
<td>Yes</td>
<td>39</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>77</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>3. Government plays role in setting cooperative/union business operation rules and procedures</td>
<td>Yes</td>
<td>43</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>73</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

3.7 Sector Wide Government Support for Cooperatives

The cooperative sector support bodies are also responsible to help and capacitate cooperatives from sectors other than agriculture. They work on systemic bottlenecks and challenges that are cross cutting and common to all. Legal, trade and export licenses, access to land and finance are among the issues that are addressed irrespective of cooperatives’ sector and affect agricultural ones too. When asked what benefits their cooperatives receive from systemic level provisions and support from the government, all respondents see benefits of government support. Of all potential benefits, the development and enforcing of legal and regulatory framework is revealed to be the most crucial one. In fact, more than 80% (see chart below) of the respondents see this as the major benefit of government support. In addition to that, more
than 50% of the respondents appreciate the enabling environment that is created as a result of
government support, and 15% mention the access to cooperative finance as an advantage. More
than 40% see all three of these as benefits for their cooperative/union.

This shows that the government is setting the rules of the game for a fair and sustainable
cooperative sector growth and contribution to member economic conditions through
cooperative society business models. This is very important government action and as
described by the theory of creating enabling environment for cooperatives, government is not
active participant in the cooperative sector but creates and puts that right framework and
control mechanisms for cooperatives to compete and grow in a free market.

**Figure 5: Systemic level government support for cooperatives**

![Graph showing government support aspects]

*Source: Author’s Survey, 2014.*

However, although all respondents see benefits of the governments support to their union or
primary cooperative, only 37% (see table 8 below) appreciate all aspects of the government’s
engagement with their cooperatives. This means that there are gaps that could be improved in
the cooperation between government and cooperative. As it can be understood from responses
given, there are needs to revise some aspects of the government intervention models with
cooperatives. The gaps as understood from responses are mostly around independence and
freedom of cooperatives in their own affairs, government imposed business activities and plans.

From the responses it is evident that the way government supports agricultural cooperatives has
pitfalls and flaws in terms of imposing government’s wishes that are against the principles and
values of cooperatives that have to do with their democratic governance and freedom from external intervention.

Table 8: Cooperatives’ opinion on government support for cooperatives

<table>
<thead>
<tr>
<th>Question and response choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you appreciate all aspects of government’s engagement with your cooperative?</td>
<td>Number of respondent</td>
</tr>
<tr>
<td>Yes</td>
<td>43</td>
</tr>
<tr>
<td>No</td>
<td>73</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

At the same time, in table 9 below, 75% of the respondents share the opinion that their cooperative’s capacity and performance has been improved because of the government’s interventions. This is again in line with the benefits that all respondents observe because of government support. The remaining 25% of the responses show there are improvements the government support bodies can make in their way of supporting cooperatives to be more effective and contribute to boost the capacity of cooperatives.

Table 9: Government support and cooperative performance

<table>
<thead>
<tr>
<th>Question and response choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you think your cooperative’s capacity and performance (efficiency, effectiveness and growth) has been improved by government interventions?</td>
<td>Number of respondent</td>
</tr>
<tr>
<td>Yes</td>
<td>87</td>
</tr>
<tr>
<td>No</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

On the choice cooperatives have not to work or seek government support (table 10), it was found out that almost all respondents (93%) think that their cooperative can’t decide to work without the government, even if they would comply with the rules and regulations of the sector. This again confirms the cooperatives’ dependence on government as a main source of support. On the other hand, it could mean the cooperatives don’t have the freedom of choice in what to do, who to work with and not. Respondents repeatedly mentioned that the government intervenes in their internal matters and that affects their cooperative performance and growth. In this case, the cooperatives are not being given the freedom to decide on their own fates and
made to pay prices for mistakes and mismanagements made by others (e.g fertilizer distribution).

Table 10: Cooperative freedom from government intervention

<table>
<thead>
<tr>
<th>Question and response choices</th>
<th>Number of respondent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Can your cooperative decide not to work with government?</td>
<td>Yes</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>108</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>116</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

Lastly, on the question whether cooperative members and employees thought the government engagements affect their cooperative adversely; opinions are almost equally divided (table 11). To investigate challenges of the support by government for cooperatives, respondents were asked which kinds of government engagements or interventions and how they find them challenge.

Table 11: Adverse effect of government intervention on cooperatives

<table>
<thead>
<tr>
<th>Question and response choices</th>
<th>Number of respondent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you think government engagements with your cooperative affect your cooperative adversely?</td>
<td>Yes</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>116</td>
</tr>
</tbody>
</table>

Source: Author’s Survey, 2014.

Most responses here revolved around the fact that members are not engaged in the most profitable and preferred businesses because government intervenes in what they do and how they do it. Mostly, what is reported here was the fertilizer distribution role they play and how they have to keep doing it even when they are making loss out of it because it is government led activity. Leaders and employees of cooperatives that stand against this and other government interests are fired with the initiation of cooperative promotion and support offices.
Chapter Four
Conclusions and Recommendations

This chapter presents the most important conclusions of the study followed by list of recommendations for action and further research.

4.1 Conclusions

In the four regions addressed for this study, the government provides different types of support to agricultural cooperatives and has promotion and support institutions in place from federal, region and other lower administrative levels to make cooperative sector support by government accessible and it responds to particular local needs. The primary agricultural cooperative support government bodies are the Federal cooperative Agency, Regional Cooperative Promotion Agencies, Zonal and Woreda Cooperative Promotion Offices.

The government is highly involved in supporting agricultural cooperatives to enhance their capacity and performance in two ways. The first one focuses on developing and enforcing cooperative sector regulatory framework through proclamations, regulations, directives and so on while the second way is providing direct support to cooperatives in promotion, organization, inspection, agricultural inputs supply and distribution, auditing, credit facilitation, output marketing, legal service, infrastructural capacity building, cooperative extension, etc.

The support to agricultural cooperatives is viewed to be very critical by government and the cooperatives themselves as it ensures important supports in early stages of cooperative formation that bring about growth and maturity of cooperative business capacity are provided and accessible by cooperatives.

Government’s supports to agricultural cooperatives in their formation or early stage of development focus on writing establishment documents of primary cooperatives and unions, assisting them to conduct general assembly meetings, form committees and cooperative leadership, providing them with model record keeping and financial books and so on. This is done mainly to fill gap in lack of skills of cooperative members in documenting, management and control mechanisms of cooperative business at the beginning.
Most of the government supports to agricultural cooperatives in the later stages is attributed to training and service support, rather than material support. These supports are provided to a large number of cooperatives in the studied regions every year and play significant role in increasing the human and business operation capacity of cooperatives. With most cooperatives in Ethiopia facing material and financial constraints, it can be understood that the most challenging aspect of cooperative development receives the least attention and the government is doing less to improve cooperatives’ material (infrastructure, facilities) capacities.

The findings of the study also show that in efforts to support agricultural cooperatives, the government intervenes in primary cooperative and union internal affairs including leadership election, hiring and firing managers and other staff, setting business activity procedures, planning, price setting and so on.

These overstepping by government and raid of their autonomy by government often force cooperatives to be led by incompetent leaders, engage in not profitable businesses activities and consequently perform badly as business entities. For this reason, a significant number of cooperative members don’t appreciate every way and areas government engages to support and capacitate them. As such, impliedly, they seek that the government changes the ways and areas of its support provision. Government interventions in cooperatives are also often making their engagement in businesses like agricultural input distribution unprofitable, force them sell good at a predetermined price, and use capital they can access in limited areas that are sought to be beneficial to them by government.

In general, the multidimensional support from the government to cooperatives has resulted in positive results for agricultural cooperatives development in the Amhara, Oromia, SNNP and Tigray regions, as there were improvements in their number, roles they are playing, and the growth in their number and capacity after the Ethiopian cooperative support bodies were established and started providing support. However, cooperatives need to be capacitated with trained leadership and staff in order for them to step up and play their functions in serving their members and others without frequent support and intervention from government.
4.2 Recommendations

Based on the above conclusions, the following recommendations are also made in improving government support to enhance the capacity and performance of agricultural cooperatives without invading their independence and autonomy;

- Government has to continue to play its important role in setting the regulatory environment for the cooperative sector as a whole and enforcing the rules and regulations. The timeliness and relevance of proclamations, regulations and directives has to be reviewed from time to time and changes be made as necessary.

- The government has to keep on providing support for cooperatives and unions in their formation and early stages of development as it is a good way to ensure formed cooperatives and unions sustain and grow.

- Government has to deeply study the weaknesses of the services it provides to cooperatives in credit supply and administration, auditing, inspection, cooperative extension, output marketing, and supply and distribution of agricultural inputs to improve them and help cooperatives develop capacity.

- The number and skills of cooperative inspectors, lawyers and auditors at different cooperative support departments from federal to lower levels needs to be improved by government to reach more cooperatives every year and avoid mismanagement of resources at cooperatives and unions.

- It is recommended that government provides more capacity building training to cooperatives on cooperative management, financial record keeping, business operations and the likes with wider outreach to boost their effectiveness and efficiency as social and business entities.

- Agricultural cooperative trainings should be made demand driven, result oriented, target the right group, tailored to specific problems and localized.

- To address the short-term training and capacity building needs of cooperatives, governments has to establish a separate cooperative training center apart from the first and master’s degree programs offered at universities.

- Government has to invest more on capacitating cooperatives and unions in infrastructure and facility wise as it is very critical for their success.
• Government has to cease interventions in areas that should be left to cooperatives as a matter of principle regardless of the cooperatives’ capacity to execute. These among many others include: the cooperative governance, staffing, business activity choice.

• Supports in cooperative leadership set up, business choice, planning, agricultural input supply pricing and distribution have to be provided in a way that is convenient to the cooperatives and members at their will.

• Cooperatives also have to have the choice who to work with and seek assistance from.

• In general, the government has to design an optimal agricultural cooperatives support provision strategy to strengthen the backing in selected areas and also at the same time not to be too involved in cooperatives’ internal issues.

• Finally, it is recommended that further researches are conducted to investigate gaps of government support to cooperatives and make improvements.
References


Appendixes
Appendix I: Interview questions

Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Public Administration & Development Management

Guide and questions for key informant and expert interviews

I. Interviewee profile

1. Name
2. Sex
3. Office or mobile phone number
4. Organization/institution of work
5. Experiences in cooperative sector
6. Past or current assumed professional position(s) in cooperative sector

II. Government support to agricultural cooperatives

1. Does your organization provide support to agricultural cooperatives at different tiers and the sector in general?
2. If yes, what kind of support does your organization provide to agricultural cooperatives?
3. Does your organization provide the support selectively (focus support areas/types)?
4. If so, what are the areas your organization focus on the most while providing support to agricultural cooperatives?
5. Is there a system or strategy that guides your organization’s support to agricultural cooperatives?
6. What are the major bases (reasons) for focusing on certain areas of support for agricultural cooperatives? (Government policy, strategy, research finding etc.)
7. There are claims that government is too involved in agricultural cooperatives’ internal matters and sometimes these interventions pose operational and growth challenges. What is your opinion on this and why doesn’t government abstain from trying to support in certain areas (leadership election, hiring and firing employees, input distribution, business decisions etc)
8. What do you think the effect of government intervention in general and your organization’s in particular is in agricultural cooperatives’ development?
9. In your opinion, how is this effect manifested?
10. What adverse effects do you believe government support to agricultural cooperatives has?
11. What do you think are the general strengths and weaknesses of government’s engagement with the agricultural cooperative sector?
12. What corrective measures do you suggest government take in its way of providing support and capacitating agricultural cooperatives and the sector as a whole?

Thank you for your time and support
Appendix II: Questionnaire for primary cooperative

Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Public Administration & Development Management

Questionnaire prepared to gather information from primary cooperatives’ members, leadership and employees

Dear respondents, first of all I, Yoseph Derese graduate student at Addis Ababa University, would like to thank you for your time and willingness to participate in my study by providing information on your opinions and experiences in the cooperative sector. This questionnaire is intended to gather information for the study I am conducting on Government Support Interventions and Autonomy of Agricultural Cooperatives in Ethiopia: The Case of Selected Regions to meet partial requirement of Master’s degree in Public Management and Policy. Any information you provide will be kept confidential and used only for the academic purpose mentioned. Again, your cooperation and honest response is very much appreciated.

I.  Respondent and primary cooperative profile
  1. Name of respondent ________________________________
  2. Sex _______ Mobile phone number ____________________________
  3. How long have you been member of or working for the cooperative? ________
  4. What are your past and current roles in the primary cooperative? __________________
     __________________________________________________________________________
     __________________________________________________________________________
  5. Name of primary cooperative ____________________________________________
  6. Type of cooperative _________________________________________________
  7. Region __________________________
  8. Zone __________________________
  9. Woreda __________________________
 10. Year of establishment __________________________
 11. Number of members __________________________
 12. Number of people the primary cooperative serves __________________________

II.  Cooperative relationship with government
  1. Does your cooperative get support from the government?
     A. Yes
     B. No
2. If your answer to the above question is yes, from which level of government/administration do you get support?

A. Federal
B. Regional
C. Zonal
D. Woreda
E. Kebele
F. Other (please specify) _________________________

3. How does the government involve in these activities with your cooperative?

A. Based on request from your cooperative
B. Government’s initiative to strengthen the cooperative sector and accelerate rural development
C. Request from non-governmental and aid organizations
D. Other (please specify) _________________________

Promotion, formation and management of cooperatives

1. What was the role of the government in setting up your cooperative?

A. Promotion cooperative membership in the community and encouraging them to become members
B. Setting up the cooperative management
C. Drafting the cooperative establishment documents
D. Facilitate the paper work (registering members, issuing IDs etc.)
E. Others (please specify) _________________________

2. How do people become member of your cooperative?

A. Willingly
B. Forced by government

3. Who sets your cooperative membership criteria?

A. Your cooperative
B. Government

4. Does government have role in your cooperative leadership election?

A. Yes
B. No

5. If your answer to the above question is yes, how?
6. Does government have role in or dictate what kind of service and to whom your cooperative should render to?
   - A. Yes
   - B. No

7. If your answer to the above question is yes, how?
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

**Providing material, professional trainings and services**

1. Do you get material support from the government?
   - A. Yes
   - B. No

2. If your answer to the above question is yes, what kind of material supports do you get from government?
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

3. Do you get professional training supports from the government?
   - A. Yes
   - B. No

4. If your answer to the above question is yes, what kind of professional training supports do you get from government?
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

5. Do you get service supports from the government?
   - A. Yes
B. No
6. If your answer to the above question is yes, what kind of service supports do you get from government?
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  

Guiding cooperative management and its business activities
1. Did government have any role in writing your cooperative bylaw, memorandum of association and other establishment documents?
   A. Yes  
   B. No
2. If your answer to the above question is yes, how?
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  

3. Did government have any role in selection and decision of the main cooperative business activities (commodities to trade, price to sell goods and services at, business hours, employee enumeration etc.) in your cooperative?
   A. Yes  
   B. No
4. If your answer to the above question is yes, how?
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  

5. Did government have any role in cooperative business running rules and procedures (dividend payment and retention of profit, asset acquisition, capital formation mechanisms etc.)
   A. Yes  
   B. No
6. If your answer to the above question is yes, how?
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  
_________________________________________________________________________  

4
Sector oversight and regulation

1. Of systemic level protection and support government can give to cooperatives, what do you think your cooperative is getting?
   A. Develop and enforce legal and regulatory framework for the cooperative sector
   B. Enabling environment creation
   C. Access to finance for the cooperative sector
   D. All of the above
   E. None of the above

III. Implications/effects of government support on agricultural cooperatives’ performance

1. Do you appreciate all aspects of government’s engagement with your cooperative?
   A. Yes
   B. No

2. If your answer to the above question is no, what do you not like and why?

3. Do you think your cooperative’s capacity and performance (efficiency, effectiveness and growth) has been improved by government interventions?
   A. Yes
   B. No

4. If your answer to the above question is yes, in what aspects and how?

5. Can your cooperative decide not to work with government (as long as you comply with the rules and regulations of the sector)?
   C. Yes
   D. No

6. If your answer to the above question is no, why?
7. Do you think government engagement to support affect your cooperative adversely?
   - A. Yes
   - B. No

8. If yes, which kinds of engagements or interventions and how?
Appendix III: Questionnaire for cooperative unions

Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Public Administration & Development Management

Questionnaire prepared to gather information from unions’ members, leadership and employees

Dear respondents, first of all I, Yoseph Derese graduate student at Addis Ababa University, would like to thank you for your time and willingness to participate in my study by providing information on your opinions and experiences in the cooperative sector. This questionnaire is intended to gather information for the study I am conducting on Government Support Interventions and Autonomy of Agricultural Cooperatives in Ethiopia: The Case of Selected Regions to meet partial requirement of Master’s degree in Public Management and Policy. Any information you provide will be kept confidential and used only for the academic purpose mentioned. Again, your cooperation and honest response is very much appreciated.

IV.  Respondent and union profile
13. Name of respondent _______________________________________________
14. Sex ___________  Mobile phone number ______________________________
15. How long have you been member of or working for the union? ____________
16. What are your past and current roles in the union? ____________________
______________________________________________________________________
17. Name of union ______________________________________
18. Type of union _______________________________________________
19. Region _________________________
20. Zone __________________________
21. Woreda _______________________
22. Year of establishment ____________________
23. Number of members ________________________
24. Number of primary cooperatives (people) the union serves ________________

V.  Cooperative union relationship with government
4. Does your union get support from the government?
   [ ] C. Yes
   [ ] D. No
5. If your answer to the above question is yes, from which level of government/administration do you get support?

- [ ] G. Federal
- [ ] H. Regional
- [ ] I. Zonal
- [ ] J. Woreda
- [ ] K. Kebele
- [ ] L. Other (please specify) ________________________________

6. How does the government involve in these activities with your union?

- [ ] E. Based on request from your union
- [ ] F. Government’s initiative to strengthen the cooperative sector and accelerate rural development
- [ ] G. Request from non-governmental and aid organizations
- [ ] H. Other (please specify) ________________________________

Promotion, formation and management of cooperatives/unities

8. What was the role of the government in setting up your union?

- [ ] F. Promotion cooperative membership in the community and encouraging them to become members
- [ ] G. Setting up the cooperative union management
- [ ] H. Drafting the cooperative union establishment documents
- [ ] I. Facilitate the paper work (registering members, issuing IDs etc.)
- [ ] J. Others (please specify) ________________________________

9. How do primary cooperatives become member of your cooperative union?

- [ ] C. Willingly
- [ ] D. Forced by government

10. Who sets your union membership criteria?

- [ ] A. Your union
- [ ] B. Government

11. Does government have role in your union leadership election?

- [ ] A. Yes
- [ ] B. No

12. If your answer to the above question is yes, how?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

________________________________________________________________________
13. Does government have role in or dictate what kind of service and to whom your union should render to?

A. Yes  
B. No

14. If your answer to the above question is yes, how?

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

Providing material, professional trainings and services

7. Do you get material support from the government?

A. Yes  
B. No

8. If your answer to the above question is yes, what kind of material supports do you get from government?

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

9. Do you get professional training supports from the government?

C. Yes  
D. No

10. If your answer to the above question is yes, what kind of professional training supports do you get from government?

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

11. Do you get service supports from the government?

C. Yes  
D. No

12. If your answer to the above question is yes, what kind of service supports do you get from government?

_________________________________________________________________________
_________________________________________________________________________
**Guiding cooperative union management and its business activities**

7. Did government have any role in writing your cooperative union bylaw, memorandum of association and other establishment documents?

   C. Yes  
   D. No

8. If your answer to the above question is yes, how?

   ________________________________
   ________________________________
   ________________________________
   ________________________________
   ________________________________

9. Does government have any role in selection and decision of main business activity (commodities to trade, price to sell goods and services at, business hours, employee enumeration etc.) in your union?

   C. Yes  
   D. No

10. If your answer to the above question is yes, how?

    ________________________________
    ________________________________
    ________________________________
    ________________________________
    ________________________________

11. Did government have any role in selection and decision of the main business activities (commodities to trade, price to sell goods and services at, business hours, employee enumeration etc.) in your cooperative union?

    A. Yes  
    B. No

12. If your answer to the above question is yes, how?

    ________________________________
    ________________________________
    ________________________________
    ________________________________
    ________________________________

**Sector oversight and regulation**

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4
2. Of systemic level (legal, political, business sector) protection and support government can give to cooperatives, what do you think your cooperative union is getting?
   A. Develop and enforce legal and regulatory framework for the cooperative sector
   B. Enabling environment creation
   C. Access to finance for the cooperative sector
   D. All of the above
   E. None of the above

VI. Implications/effects of government support on agricultural cooperatives’ performance
9. Do you appreciate all aspects of government’s engagement with your cooperative union?
   C. Yes
   D. No

10. If your answer to the above question is no, what do you not like and why?
    __________________________________________________________
    __________________________________________________________
    __________________________________________________________
    __________________________________________________________

11. Do you think your cooperative union’s capacity and performance (efficiency, effectiveness and growth) has been improved by government interventions?
   E. Yes
   F. No

12. If your answer to the above question is yes, in what aspects and how?
    __________________________________________________________
    __________________________________________________________
    __________________________________________________________
    __________________________________________________________

13. Can your union decide not to work with government (as long as you comply with the rules and regulations of the sector)?
   G. Yes
   H. No

14. If your answer to the above question is no, why?
    __________________________________________________________
    __________________________________________________________
15. Do you think government engagements with your union affect your union negatively?
   C. Yes
   D. No

16. If yes, which kinds of engagements or interventions and how?
Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented or submitted partially or in full by any other person for a degree in any other university, and that all sources of materials used for the purpose of this thesis have been duly acknowledged.

Declared by:        Confirmed by Advisor:
Yoseph Derese        Terefe Degefa (Ph.D)
Signature______________     Signature______________
Date___________________     Date___________________