

## The Relationship between State and Cooperatives In Ethiopia: Scoping Reviews

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**ABSTRACT:** The initiative for starting cooperative movement had been taken in different countries either by the people themselves or by the governments. In developed countries, Cooperation was launched as a result of people's felt-need, initiative, understanding and efforts, coupled with their determination and resolves to protect themselves against exploiting forces. Government had practically no role. Cooperatives functioned there as pressure groups for influencing both the market situations and the government policies. In most of the developing countries, the governments had sponsored the movement as an administrative measure. In developed countries the cooperatives are still designated as people's organizations, while people viewed them as government agencies, as they are directed and controlled by the government and their growth depends on its attitude and approach. Historically, in Ethiopia, cooperative was initiated by government. Because of this government has great affiliation with cooperative movement in Ethiopia. Currently, expansion and strengthening of cooperative society is part of ten years (2021 up to 2030) Cooperative sector strategic plan of Ethiopian government. This study was designed to reviews the relationship between state and cooperatives in Ethiopia and its influence on cooperative autonomy. To achieve the objective of the study, scoping review was used. Qualitative research approach was used and presented in the format of literature review on the ways in which state and cooperative relationships in Ethiopia. The source of data used was secondary data from the literature review and articles of different materials. In addition, grey literature was used from government documents. The instruments used for data collection was review of compiled documents. The study indicates that there was great affiliation between state and cooperative in Ethiopia. In their relationship, the government intervene in cooperative actives and used cooperatives as instrument of development agents. The study found that the relationship influences cooperative organizational autonomy which is the pillar for cooperative sustainability. The study shows that cooperative idea has been extensively used and misused within Ethiopia. The study recommends that the government should stop to intervene in cooperative autonomy while promoting cooperative and should respect cooperative principles and values which is identity of the cooperative. In addition, awareness about cooperative should be given for cooperatives members and non-members.

**Key words:** Cooperative autonomy, Cooperative Development, Ethiopia, Relationship, State

### I. INTRODUCTION

In developed country cooperative was initiated by people (bottom up). When cooperatives began in Western Europe, they were autonomous self-help organizations. They protected their members from expropriation by merchant capital and served as limited liability companies for rural areas (Djurfeldt, 1983). The cooperative sector in Africa was introduced by external agencies, notably colonial authorities. Cooperatives were therefore often received as alien institutions. The British, French, Portuguese, Spanish, Germans and Belgians brought to their respective colonies their vision of cooperatives. Along with their view on the role of cooperatives in a colonial environment, they introduced mechanisms that would foster cooperative development, including legal frameworks, promotional schemes and funding systems. These colonial efforts set the tone for cooperative development in Africa. The cooperative sector thus did not emerge as a home-grown or spontaneous movement but rather as the result of colonial social and economic engineering (Develtere, 1993; Develtere et al, 2008).

Later, during post-colonialism, the role and place of cooperatives as instruments of development continued (Develtere et, 2008). However, in post-colonial times the state also played a direct role in pushing for the development of cooperatives. Cooperatives were not given genuine autonomy and were tied into patronage systems while bureaucratic influence limited internal democracy. In some countries, such as Tanzania, the cooperative movement was destroyed during the era of African socialism because it

threatened the ruling party. When African governments targeted cooperatives as a means to address poverty, there was a tendency to over-invest or seek to make the cooperatives increase their size beyond their capacity to manage the development themselves. This often resulted in failure. As development instruments, cooperatives were reduced to being a means to achieve certain technical ends instead of prioritising member needs, with member control and ownership determining the character of cooperation.

The cooperative movement, for better or worse, was actively promoted in Africa in the late colonial and early independence periods. At that time, cooperatives in the continent were perceived essentially as state-sponsored institutions, giving priority to national development. Policy maker tended to lose sight of the fact those cooperatives in their original and most successful forms were private organizations of people who pooled their resources to help themselves, and that they were never transmission belts for implementing governmental policies. But the pattern of relationship between state and cooperative is complicated. It may influence the democratic principle that all members are equal value and that the creation of cooperative self-help programs are initiated voluntarily (Fregidou-malama, 1999).

In Africa like in most developing economies, co-operatives were and are still recognized as vehicles of socio-economic development. The number of co-operatives in African countries has grown mainly as a result of the development agenda and the need for pulling resources for a common goal. The governments and people of the developing nations are attempting to accelerate economic development in their respective countries through the use of various developmental models which they adapt to fit their particular needs. These attempts are aimed at improving the social, economic, and political opportunities within their national boundaries. In Ethiopia modern co-operative is the result of deliberate policy-making by state authorities that tapped into and borrowed from international experiences in cooperative development (Develtere et al, 2008). In 1950's Ethiopian government tried to bring change and development in the Country by modernizing the laws and accepts different policies (Sedler, 1967). The government accepts cooperative model to solve social problems in the country (Decree No.44/1960). But co-operative development in Ethiopia has been strongly influenced by various political regimes (Bezabih, 2009, 2014; Adugna, 2013; Tefera et al, 2017; Lemma, 2008).

Co-operatives in all parts of the world are very much affected by their relationship with the state. Government determine the legislative framework within which many co-operatives function. In their taxation, economics and social policies, governments may be helpful or harmful in, how they relate to the co-operatives. For that reason all co-operatives must be vigilant in developing open, clear relationship with the governments (Munkner, 2014).

The development of cooperatives overtime has been shaped by many factors and influences. Economic condition (government economic policy), farmer's organization (including quality of their leadership, their motivation, and enthusiasts to promote cooperatives, power to influence public policy, etc) and public policy (as determined by government interest, legislative initiatives and judicial interpretation). Government intervention of cooperatives is based on the policy and the law of the country. Co-operative policy and legislation need to preserve autonomy and democratic member control of co-operatives. The Government intervention and the support provided to co-operatives are based on its policy. Government policy concerning cooperative may be destructive policies, neutral policy, supportive policy, participating policy and controlling policy (Adeler, 2014). In order to simplify it, representative typologies of the co-operative sector have been developed along, based on available literature, with a description for each typology identified. As a result, three typologies have been identified and characterised, namely Government Controlled, Government Supported and Member Controlled Co-operatives (Adeler, 2014; Karthikeyan, n.d)

In Canada the governments support cooperatives by believing that cooperative provincial governments have recognized cooperatives as important economic and social development tools. The support governments devote resources to their regulatory function, some have developed more extensive supports for cooperative organizations, such as funding programs, service delivery partnerships, or financial incentives.

Co-operatives were best off if they had the least possible to do with governments. Because co-operatives are involved in so many kinds of activities, they relate to a variety of government departments and are affected by numerous government policies (Macpherson, 2007). Liberalization is better for cooperatives rather than government control on cooperatives. Liberalized cooperatives survived the market forces and continued to grow in number, membership and income. The cooperatives are increasingly diversifying their activities and introducing innovative ventures in order to respond to their members' needs. The well-adapted cooperatives are subsequently recording better performance than they did in the previous era, State control. The performance of cooperatives is better when they help-themselves than government help. The autonomous cooperatives are necessary for African development (Wanyama, 2009).

In many African countries, the government has often mandated cooperatives to carry out various policies and programs. Instead of being member-directed bodies, coops have thus become indirect arms of external organizations such as lending institutions or extension services. The registrar system has resulted in government intervention in cooperative business activities under the rationale that ill-informed and illiterate members must be

protected from abuses and mismanagement. This may well have been one of the main reasons for the failure of many African cooperatives (Beraverman et al, 1991).

The level of involvement in cooperatives and the status of cooperative legislation vary with where the governments are on the continuum between centrally planned and free market economies. The role of the state to support co-operatives through a positive legislative environment and policy framework that enables co-operatives to explore and achieve their potential while maintaining a high standard of operations to protect public interest. A positive legislative environment recognizes that cooperatives are not franchises. While cooperatives adhere to basic governance structures, their organizational structure is dictated by the needs of the activities it undertakes and the economic and physical environment in which it operates. Therefore one size does not fit all. As of the ICA's survey report in 2005, cooperatives operations significantly affected by external challenges in the political and economic environment.

The promotion of cooperatives by government officials left little room for members to set up their own self-help organizations. Since an organization's outcome and activities were predetermined from the outside, negotiation or discussion among prospective members became meaningless. Moreover, little effort was made to adapt the western model to local conditions. The rural population's inability or reluctance to take charge of new organizations often served as a pretext for further government interference in the daily affairs of cooperatives. Government officials or extension agents, unfamiliar with cooperative principles, were put in charge of setting up societies as fast as possible. Governments sometimes made cooperative membership compulsory and granted monopoly power to enforce effectiveness. Emphasis on speed resulted in premature registration or organizations that could not function. The ideas and operation of cooperatives to prospective members and to train local personnel, management positions often remained in the hands of government designated personnel. In view of outside promotion and compulsory membership, members had little interest in actively contributing to the organization's share capital. As a result, a large share was put up by governments or donors which also met deficits. Combined with monopoly power and ineffective control structures, the lack of profit constraint often led to inefficiencies, mismanagement, and irregularities. Financial dependence on government or donors only increased the chance of external interference in cooperatives (Beraverman et al, 1991).

The current principles on democratic member control, member economic participation and autonomy and independence, are not easily abbreviated without losing some of their key aspects. The principles need to be understood as an integrated package. As one thinks about them seriously – and, more importantly, seeks to apply them creatively – they are remarkably interconnected and mutually supportive. As list, which by its nature tends to separate the points it includes, does not suggest that kind of synergy. It too easily becomes just a checklist for organizational behavior to be ticked off during annual operational cycles or when specific activities are undertaken. That is hardly enough (Macpherson, 1995).

The ICA for the first time offered an official definition of the term “co-operative” at the centennial congress in Manchester in 1995. The ICA has defined a co-operative 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 1995). Ethiopia is one of the sub Saharan countries, which suffered from a continuous shift in political ideology, economic liberalization and globalization. Such shifts greatly affected the cooperative sector. Political control leaves cooperative sick. Since 1994, the Government of Ethiopia has made efforts to promote a new generation of cooperatives that differ from their predecessors that were put in place under previous regimes. These new types of cooperative should be based on the members’ “free will to organize”; able to fully participate in the free market; and free of government intervention in their internal affairs (Bernand,2013 Proclamation 85/1994).

## **1. Objectives**

1. To know the relationship of cooperative societies and state in Ethiopian
2. To understand how state and Cooperative relationship influences cooperative autonomy

The research question was focused on what is the relationship between state and cooperative in Ethiopia and how their relationship influences cooperative autonomy?

The problem of the study is that in Ethiopia, cooperative was first initiated by the government. It was top down formation in Ethiopia. After 1995 cooperative was legally considered as autonomous organization which was based on self-leading and not state leading cooperatives. But the government approaches to cooperative movement is not known. There is no clear policy which demarcates the boundary between state and cooperatives. The problem is that it was legally recognized that the government promotes cooperative societies to bring socio-economic development without interfering in cooperative affairs. Sometimes the legislatives restricts cooperative organizational autonomy, while in other cases, the government interfere in cooperative affairs in negative ways and prohibits practicing cooperative principles and values.

## **II. METHODOLOGY OF THE STUDY**

This study adopts scoping reviews. A scoping review was conducted to identify the relationship between state and cooperative in Ethiopia and its effect on cooperative autonomy. To evaluate and assess the potential size and scope of available literature on a particular topic, a scoping review is needed. The purpose of a scoping review is to identify the nature and extent of resources available, including on-going research. It reveals the undiscovered areas for further research to have a better understanding of the subject. One of the aims of the scoping review is to identify research gaps in the existing literature ( Arksey & O'malley,2005). In this method researchers can include a range of study designs in both published and grey literature, to identify the nature and extent of research evidence.

Scoping reviews do not seek to 'synthesize' evidence nor aggregate findings from different studies, but rather provide a narrative or descriptive account of available research without focusing on the strength of evidence. The outcomes of scoping reviews can include policy and practice recommendations and suggestions for areas of study that are not currently well addressed in the literature. Scoping studies aim to map the key concepts and evidence underpinning a broad research area (Arksey & O'malley2005; Levac, Colquhoun, and O'Brien2010).

To bring socio-economic development, the government promotes cooperatives. Because of the word promotion was vogue; the researcher wants to know the relationship between state and cooperatives in Ethiopia and to understand how cooperative autonomy was affected in their relationship. This study focused to answer the question that what is known from the existing literature about the relationship between state and cooperatives in Ethiopia and how the relationship affects cooperative autonomy.

As the scoping study to be comprehensive as possible, for this study the researcher uses primary studies such as published and unpublished, policy and regulatory framework documents, past study reports and cooperatives periodic activity reports, cooperative laws and regulations to answer the research question. To achieve this, the researcher adopted a strategy that involved searching for research evidence via electronic databases, reference lists, hand researching of key journals, relevant organization such as Oromia cooperative promotion agency and Federal cooperative commotion in Ethiopia. The researcher included available studies published 1960 up to 2022. The start date of 1960 was chosen that modern cooperatives society was started in Ethiopia and cooperatives societies were promoted in different regimes. The research strategy for electronic data bases is developed from the research question and definition of key concepts.

Hand-researching of key Government documents such as scheme of government to cooperative promotions in the last ten years and the plan for the next ten years. The searcher found cooperative basic data basis from Federal cooperatives commission and Oromia Cooperative promotion agency.

Since the scoping study did not have the criteria to exclude or include the materials to the study the researcher selected the literature based on their relation to the study title. Based on their relevance, published journal articles, books, published and unpublished master thesis, government policy document and basic data from cooperative promoters were referred and used as a background to analyse the existing conditions regarding the title. The study does not provide a comprehensive analysis of all potentially relevant literature. Instead, what it does provide is an extensive sample that illustrates the variety of approaches taken to the problem of the relationship between state and cooperatives in Ethiopia and its effect on cooperative autonomy.

### **III. RESULTS AND DISCUSSION**

#### **4.1 State and Cooperatives in the Hailesilase Regime**

Unlike in developed countries, a cooperative in Ethiopia was initiated by government. The co-operative sector in Ethiopia was established to cater for marginalized communities in the Agricultural and the financial sectors in the 1950s. The government used co-operative to support government economic policies, especially in the area of agricultural development. Through government involvement in co-operative then it was seen as a way of bringing farmers into cash economy and encouraging cultivation of export commodities.

As new society institutions are created, new needs appear, and the law develops in response to those needs. Governments are trying to bring about change through a comprehensive system of planning. Development plan has been documented since 1950s in Ethiopia. During the period 1950 to 1974, the political arena was characterized by absolute monarchism. The government was ultimate sources of justice. There was the principle of sovereign prerogative in Ethiopia (Sedler, 1967).

The history of cooperatives in Ethiopia goes back to the imperial regime. During the Imperial regime the development and promotion of modern types of agricultural cooperatives had been initiated by the government. The foundation for government controlled co-operatives was formalised in legislation enacted in Decree No.44/1960. It was established because of the major mentioned causes of the establishment of legal framework were an increased unemployment rate (Emana, 2009).

The objective of the decree No.44/1960 was to accelerate the development of agricultural economy in Ethiopia by organization of cooperative enterprises (preamble of decree No.44/1960). The general manager of the cooperative was appointed by Ministry of national Community development (art 35) and the Ministry shall

take into account and give due weight to the economic interest of the Empire and the need for assuring balanced agricultural development throughout the Empire (art 4(b)).

Farm workers cooperatives were emerged with the objective of arranging for production, transportation, processing and marketing of agricultural produces, lending of livestock and agricultural machineries owned by cooperatives for the benefit of promoting better agricultural and allied activities among themselves. This farm worker' cooperatives were registered under farm workers cooperative decree No.44/1960 (Subraman, 2008).

It was in the first, second and third five year development plan (1960-1974) that the concept and modality of agricultural cooperatives have emerged (Haile, 1999). It had no full version of cooperative proclamation and unsuccessful because of limited to agricultural cooperatives with very limited government (Mojo, 2017).

Decree No.44/1960 was restricted only to farm workers cooperatives. Other cooperatives could not be established under this decree. Because of this decree No/44/1960 was repealed and replaced by Proclamation No.241/1966.

Objectives of cooperatives registered under proclamation No. 241/1966 were to improve the living standard of farmers, better business performance and improved method of production by goods and services for production and consumption, minimizing the impact of risks and uncertainties, reducing cost of credit and provision of extension services.

In 1966 different types of cooperative enterprises was registered under Proclamation No.241/66. However, the limitation of the proclamation No.241/1966 was that Services of cooperative proclamation registered under this proclamation were limited to only rich farmer of coffee and sesame production.

During the Imperial regime of Haileslasie, Cooperative societies were given less attention and were in their infancy stage. They were on hands of the Government and not stand by their foot. The relationship of state and cooperative in Imperial regime seems like paternity relationship.

#### 4.2 State and Cooperatives in The Derge Regime

After the down fall of the Imperial rule, the new military government came out with new directives and policies for socializing agricultural development and cooperative societies with Marxist ideology. The state began molding cooperatives into socialist institutions against their very nature. Alongside this was the endeavour to make the cooperative sector the arm of the ruling party for controlling the farmers. They were also used as marketing agencies of the state. The state's anti-capitalist policies and practices destroyed the cooperatives and affected economic empowerment of the peasants. The argument is that lack of understanding that cooperatives are institutions of capitalism and that they cannot function otherwise is responsible for their destruction. Cooperatives represent as institutions that function as agencies of development (Okem, 2016; Jonathan & Kumburu, 2016).

Since the adoption of socialist policies, the government has had a proprietary view of cooperatives. The primary objective became to employ the economic aim of cooperation to achieve the political aim of socialism. The cooperatives were increasingly drawn into the political fold of the ruling party. Thus, the cooperative movement became susceptible to political interference after the adoption of one party supremacy in 1974. The dominant thinking in the government was that by their nature cooperatives could not be detached from political life .In this way cooperatives became the party arm to control the farmers.

Following the regime change, new proclamation (Proclamation No.71/1975) was put in place in 1975 targeting the establishment of Producers' cooperatives and service cooperatives. Moreover, this proclamation for the first time introduced the two types of cooperative societies, the Agricultural Service Cooperative, and the Agricultural Producers Cooperative Societies. It also outlined the organization, membership, objectives, powers and duties of the two types of cooperatives. It was in this proclamation that the roles of cooperatives as the basis for socialist agriculture were strongly emphasized (Teka, 1988).

There was forced formation of cooperatives as result of land reform proclamation of 1975. The cooperatives were required to be registered under proclamation No 138/1978. Their objectives include to develop self reliance and to promote the interest of their members, to put the means of production under the control of cooperatives and to transform them gradually into collective properties, to increase production, to expand industries, to participate in the building of socialist economy, to accumulate capital and to mobilize human resources to sustain economic development. However, Commune formed by force failed to fulfill the criteria of true cooperatives.

An elaborated proclamation was later declared concerning cooperative societies. This was Proclamation No. 138 of 1978 "A proclamation to provide for the Establishment of Cooperative Societies", which included the establishment of other cooperatives. All types of cooperatives need to be registered if they are to have legal protection. These cooperatives are registered with, and supervised by, different institutions of the state: the agricultural service and producers cooperatives under the Ministry of Agriculture; the artisans' service and producer's cooperatives under the Handicrafts and Small-scale Industries Development Agency;

housing cooperatives under the Ministry of Urban Development and Housing; thrift and credit societies under the National Bank of Ethiopia. The broad guide-lines in each of these cooperatives and the manner in which the surplus is appropriated for reserve and other funds are left to the respective societies (Teka, 1988).

The Derg regime considered cooperative as mass movement that could ensure equitable mobilization and distribution of resource. They were thus viewed as instruments for planning and implementation of socialist policies/ideology of the regime. Many cooperatives entire country were established to accomplish these objectives. During these periods farmers were forced to pull their produces to the local multipurpose cooperatives and then price of their produce was determined by government.

Service cooperative was established to stabilize the price. In the 1980s, Services cooperative have been actively encouraged by government to expand their marketing function in order to stabilize prices in the market. The system was never work if the peasants had the freedom to choose marketing channels on their own. Cooperative, marketing and price policy were aimed to control the production and circulation of rural commodities that was the way government capture the peasantry. At that time, cooperative work to strengthen the socialism not to the member of the cooperatives (Stahl, 1989). Befkadu and Tesfaye (1990) identified that after 1975 land reform, most of agricultural marketing cooperatives in Ethiopia took place through the state led cooperatives, and the government control the prices urban dwellers were offered low consumer prices of agricultural products but farmers were left with much lower than the open market would have given them.

Government control of co-operatives continued. In the early 1978s, new co-operative legislation emerged. These powers included the power of veto of board decisions, issue of directives to co-operatives by Government/Registrar and appointment of personnel in co-operatives. These provisions led to further erosion of the autonomy of co-operatives. The politicians came to dominate the boards of a majority of co-operatives and used their position as a stepping stone for their political ambitions.

The various policy declarations and official statements of the Provisional Military Administrative Council (PMAC) of Ethiopia have shown the commitment of the state to the agricultural producer's cooperatives. According to the Ten Year Development Plan (1984- 1993), it is expected that 50 per cent of the peasants in Ethiopia will be cooperativized, by the end of the period (MOA, Annual Report, June 1986, p.2). The government's strategy of rural socialist transformation has been based upon the promotion of agricultural producer's cooperatives (Teka, 1988)

There are different forms and levels of state interventions for organizing and strengthening cooperative societies. These are institutional, material, financial, ideological, training, etc. The state has created a Department for Peasant Associations and Cooperative Organization within the Ministry of Agriculture. This is the department that looks after the day-to-day development of cooperative societies in the country. It is this department that approves formal registration and upgrades cooperative societies. Through the liaison structures in the provinces, the state exercises control over the manner in which cooperative societies develop. Moreover, a team of experts visits the cooperative societies to assess the extent, to which directives of the central government have been implemented, and to advise cooperative officials as well as to rectify mistakes in policy implementation. Since September 1985 the state has implemented a new programme called the Peasant Agriculture Development and Extension Project (PADEP) (Tennassie Nichola, pp. 68-70).

The crops to be cultivated by the cooperative farm are chosen in consultation with state cooperative experts. In the same manner, the share of produce, investments, the point systems in the producer cooperative, are all worked out in consultation, with at least the political cadre of the locality. These and other instances show the degree to which the state penetrates the agricultural cooperative societies. Through technical and other experts, the bureaucracy and the rural institutions, the state controls the organization of social life in the rural areas (Teka, 1988).

The government also has a deliberate policy of supporting producer's cooperatives/collective farms in material and financial assistance to a greater extent, than private peasant farms. The state has also created centers for the dissemination of cooperative ideas. The government control which do not allow cooperatives to work as autonomous private self-help organizations primarily for pursuing the objects determined by their members and the obligation to operate like an institution under public law, can be identified as the main reasons for failure of cooperative societies in Derg regime (Teka, 1988).

In Ethiopia studies have shown that cooperatives were a threat, a source of insecurity and burden. This was witnessed by the response of most cooperative members following the announcement of the mixed economy and ultimate overthrow of the Derg regime. Only a few weeks after the Ethiopian government mixed economy policy, a greater majority of cooperatives were dissolved by their own members. Studies have shown that the top down approach pushed by the past regime exhibited a failure story in cooperative movement in Ethiopia. A good example is the investigation by Zerihun (2003), which indicated that government imposed agricultural cooperatives in Meki-Batu of the Oromia region left the members in the miserable situation by exposing them to severe food shortage and consequently hunger.

Chloupková (2002) argued that one of the characteristics of the cooperatives under the communist regime was forced membership, and as a result these cooperatives did not obey the principles set by ICA, even though they were touted by the government as collective farms aimed at ‘joining resources and sharing benefits’. The state cooperative really is not cooperatives because they are undemocratic. Coercion or compulsion is the antithesis of cooperation. Freedom to belong or not to belong to a cooperative is basic to its underlying philosophy. These cooperatives had been served not for their members, rather for political sustainability of the military government.

In Dergi regime, Cooperative was unable to provide adequate services to their members. The central government controls all major decision of cooperative movement and there was mandatory membership. Indeed, they are cooperatives according to Ethiopian legislation because they are constituted and are run within the framework of the laws establishing the cooperative organization under state control. Although they do not always comply with all accepted cooperative principles, they are cooperatives not because they follow cooperative principles but because the government says they are! The assumed inability of the peasant to control his own affairs is used again and again as the reason for direct state intervention in his affairs. Fortunately, these forcedly established cooperatives were devastated by their own members, while the military regime abolished by the current Ethiopian People’s Revolutionary Front (EPRDF) in 1991.

#### 4.4 State and cooperatives Under FDRE

The objectives of different cooperatives allowed under this proclamation were to solve problems collectively which members cannot individually, to achieve a better result by coordinating their knowledge, wealth and labor, to promote self-reliance among members (Proc.No.147/1998).

The latest Proclamation on cooperative societies 985/2016 defines a cooperative as “a society established by individuals on a voluntary basis to collectively solve their economic and social problems and to democratically manage [the] same”. The Proclamation provides cooperatives with the right to engage in productive or service provision activities that can be determined by the byelaws of the cooperative. This Proclamation is issued in compliance with ILO Recommendation 193 and the ICA minutes of 1995. The current government highly recognized cooperative as a major contributor for agricultural and rural development (Mohammad & Waan Lee, 2015).

Today, however, the co-operative sector, as it exists in most of the Regions, is weak and inactive. Cooperatives look towards government patronage both for business and capital requirement as illustrated by status of two largest sub-sectors, namely credit and agricultural marketing. The sickness in co-operatives is fairly widespread and growing.

The problem was a classic one for co-operative movements. Because co-operatives are involved in so many kinds of activities they relate to a variety of government departments and are affected by numerous government policies. On the other hand, governments are not structured to relate easily to such a broad spectrum of economic activities touching so many departments (Macpherson, 2007).

The concept of Government intervention for 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 (Woldie, 2015). 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). The Federal Cooperative Agency (FCA) under the Ethiopian Growth and Transformation Plan (GTPII)(2015-2020) is mobilizing and align all cooperatives in the country as one of the development partners to contribute their parts in the building of socio-economic development by realizing those designed development policies, strategies and plans to eradicate backwardness and poverty from the country (FCA, 2015:1). This shows that the Ethiopian Government has a plan to intervene in cooperatives matters to bring social and economic development. The Ethiopian Government has a plan and strategy how to use cooperatives as instrument of change agent. The Cooperative support of government thorough its strategy and plan is based on the political ideology which eradicate cooperative autonomy.

Woldie (2015) argues that the nature of true cooperatives is autonomy but the interventionist nature of developmental state leaves very less room for such autonomy. He argues that there is no express cooperative policy objective in Ethiopia. But the cooperative policy objectives might have been impliedly incorporated in various documents such as Agricultural Cooperatives Sector, Development Strategy and the Growth and Transformation Plan.

The other major concern regarding cooperative sustainability is their autonomy and high reliance on the government. From the inception, the idea of the cooperative was brought about by the Ethiopian government as a means to create employment opportunities and empower the local communities. The location and establishment of cooperative is highly correlated with the effectiveness of regional cooperative agencies in the

promotion of the cooperatives (Bernard et al, 2013). In the absence of favorable environment and effective government cooperative agency that encourage farmers to involve in collective mechanism, the chance of establishing cooperative is limited. This might compromise their independence.

The Federal Cooperative Agency (FCA) was initially set up as a temporary office under the Prime Minister's Office (PMO). The government established FCA with a mandate of overseeing the appropriate implementation of the legislation on cooperatives, designing policies and legal procedures consistent with the international conventions on cooperatives and ensuring the coherence of the cooperative policy with other policies relevant to the sector.

The policies and laws that directly affect the functions of cooperatives are those on land, investment, labour and employment, customs and taxation, financial regulations and directives. Recognizing the need for tailoring the provisions on relevant laws and policies, the FCA had produced specific procedures on labour and employment, credit management, store and warehouse management, auditing and accountancy, marketing and on the structure of cooperatives (Lemma, 2008).

Ethiopia being a federal state, the structure of FCA reflects the different administrative levels in the country (federal, regional, zonal and wereda). At the federal level, the FCA is providing technical advice to the regional offices and unions. Although it has not materialized, it is also responsible for registering and providing technical support for unions that have member cooperatives from two or more regional states (Lemma, 2008). The enforcement of the Proclamation that details the specifics of the bye-laws seems to be very strictly applied in some regions. According to the information of local NGOs working with cooperatives, the bye-law as allowed by the proclamation is not flexible enough to accommodate the interests of cooperatives. For instance, changing the number of terms for serving on the board from two to three and engaging in activities other than their specialization unless undertaken in a minor way are not allowed. If a cooperative plans to include another major component, it needs to re-register.

The development of the new model of cooperatives in Ethiopia since the law on cooperatives was adopted in 1993 has been supported by different agencies in Ethiopia. They include the ministry of agriculture, which is responsible for formulating strategies and policies for the development of cooperatives in Ethiopia. Federal cooperative agency, which aims to support, promote and represent cooperatives at different policy level and the cooperative promotion agency at regional levels. The activities of these key agencies aim at promoting the establishment of new cooperatives, training to existing cooperative staff, trade promotion, and upgrading facilities, equipment and technology to expand production. The availability of extensive institutions set out to govern and support cooperatives, their successful development is not guaranteed. Formal institutions could not make cooperatives work in the earlier periods. Many initiatives failed or encountered strong resistance because without the basic principles of voluntary participation, there was a lack of participation from cooperative members.

The concept of state-support of co-operative societies is explained in Ethiopian cooperative proclamation. It contains the characteristics of a "development law", i.e. a law designed to promote development in a planned direction by education of co-operators and encouragement of co-operatives. The law follows a combination of public and private law approach, public law approach because a government machinery for the implementation of the law is created, private law approach because it is left to the citizens to make use of this new form of organization and to avail themselves of the help, which government offers for its implementation (Münkner, 2004). Stable legal environment and appropriate government policy and support are extremely important for the successful development of cooperatives.

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). 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.

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements without her 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 (ICA, 1995). 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).

The idea of cooperative formation was hijacked in Ethiopia by state. Cooperative was neglected by the own government in Ethiopia (Rao & Temesgen, 2014). Ethiopian Governments have and continue to promote co-operatives as vehicles for socio-economic development. Adherence to the co-operative principles as



pronounced by the International Co-operative Alliance (ICA) and Ethiopian cooperative law is no longer the practiced.

In Ethiopia every new government was interested to promote cooperatives in its own way with no deep analysis of its strong and weak points. The main reason for such radical changes was believed to be that government change in the country has never been made in peaceful way. Therefore, the cooperatives during Imperial and Derge regime were not autonomous organizations and had purely political characters and were considered as the extension of state institutions and almost all lost their cooperative identity. As the result of the aforementioned problems the cooperative during imperial and Derge regime were not sustained. This bad image was hindering the participation of members in all activities of cooperatives (Beyene & Abebe, 2013, p.43). Genuine cooperatives contribute considerably to the four aspects of sustainability: Economic security, ecological balance, social justice, political stability (Henry, 2010).

Cooperatives contribute their best to society when they are true to their nature as autonomous, member-controlled institutions, and when they remain true to their values and principles. Cooperatives succeed like any other enterprises in a competitive environment and where they are allowed to operate in equal footing with other enterprises (fair playing field). Government must set the legal boundaries, but cooperatives can and should regulate themselves from within (self-regulation).

There is interference of local leaders in the decisions and managerial affairs of the cooperatives (Dorgi, 2015). The current study also shows that in their relationship government intervention in cooperative autonomy to uses cooperatives as vehicles of development agenda. It uses as an instrument to bring socio-economical changes. However, the state and Cooperative relationships erodes cooperative autonomy and brought stagnation of genuine cooperatives in Ethiopia (Fituma& Nakkiran, 2023).

As principles government promote cooperative societies in Ethiopia. But the practice reveals that there was inability of cooperative promotion agency to play its roles appropriately resulted from failure to implement cooperative laws, failure to conduct timely auditing and inspections, less budget allocation and inadequate trained man-power, inadequate members' awareness about cooperatives, poor participation of members, poor members' involvement in decision making, unwillingness of members to involve in conflict resolution, inadequate managerial skills of the leaders and absence of training (Dorgi,2015).

Ethiopian cooperative support bodies at different levels while engaging to support and provide services to cooperatives that are formally declared autonomous by proclamation, they intervene in cooperatives internal matters. There is violation of cooperative principles and lack of awareness about cooperatives while providing services to cooperatives (Firehiwot, 2020). These interventions happen from the formation stage of new cooperatives to the day-to-day activities of matured ones and challenge to cooperatives growth (Deresa, 2014).

Cooperative agency was not implementing cooperative proclamation appropriately. Therefore, failure of the agency to implement the proclamation had its own direct contribution for the failure of cooperatives and lack of members' awareness on the purpose of forming new cooperatives. Cooperative promotion agency is not supporting the cooperatives according to the law and the promotion agency is running only of political purpose. Even the established cooperatives are not based on cooperative principles and members are not participating on cooperative action (Dorgi, 2017).

There are identity crises of cooperatives in Ethiopia. Cooperatives and investor-owned firms are the same in Ethiopia. Because cooperatives lost their objective which is not for profit are established to get profit as primary aims. Government has been manipulating cooperatives to fulfill national economic development agenda which can be possible through investor-owned firms. Because of government intervention in cooperative matters there is no cooperative autonomy in Ethiopia and cooperatives lost their primary objectives and run to fulfill Government national agenda (Woldie, 2015).

It was the loss of democracy that caused the failure of cooperatives in Dergi regime. It was the democratic (bottom-up) cooperatives that survived, while the change to top-down decision making caused an economic upswing in the short term but collapse in the long run (Battilani & Schroter,2012).

## **VI. CONCLUSION**

Ethiopian cooperative societies have witnessed great changes and transformation in the last sixty two years (62 i.e 1960-2022) and are still in transformation phase. Government promotion has mostly negative effect on co-operative societies that government uses cooperatives as their instrument or for their own interest. In Ethiopia, cooperatives were destroyed through management dishonesty, misappropriation of co-operatives resources, and abuse of committee powers; leadership irresponsibility and poor accountability. Hence, such malpractices had distorted the image of cooperatives and had also caused unimaginable financial losses and retardation in socio-economic development. These actions jeopardized the sustainability of cooperatives because they began to be used as instruments of government policies rather than serving their members' needs and interests. There is great affiliation between state and cooperative in Ethiopia. In their relationship, the government intervene in cooperative activities and used cooperatives as instrument of development agents. The

study found that the relationship influences cooperative organizational autonomy which is pillar for cooperative sustainability. The study reveals that cooperative idea has been extensively used and misused within Ethiopia. The suggestion is that the government should stop to intervene in cooperative autonomy while promoting cooperative and should respect cooperative principles and values which is identity of the cooperative. Awareness about cooperative should be given for cooperatives members and non-members.

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