

INNOVATIONS

Cooperatives as a Pathway to Economic and Social Development in National Economy of Ethiopia

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Abstract

Traditional form of cooperative involved in Ethiopia society centuries ago in the form of Ideir and Eqube. Idir is used to provide social and economic insurance for the members in the events of death, accident, damages to property. Eqube is a traditional financial (saving and credit) cooperative formed voluntarily. Modern form of cooperative started in Ethiopia in early 1960. Cooperative play a crucial role in economic and social development. Cooperative created approximately 82,074 job and generate approximately half billion Ethiopia birr wages during 2008. The participation of cooperatives in agro-processing, marketing and financial is increased. The social role of cooperative is promoted through voicing of common goals, enhance participation in value chains and protection of producer from unfair pricing. Cooperative also create opportunity for networking and working in partnership with other agencies. There are four tiers of cooperatives namely primary cooperatives, cooperative unions, cooperative federation & cooperative confederation. However, there are motivation for the regional government to establish regional cooperative federations. The south nation nationalities and people region (SNNPR) of Ethiopia recently establish the first regional farmer formed the regional federation of farmers' grain marketing cooperatives. The cooperative policy is largely determined by the government and the role of cooperative union in making policy is currently minor as most of the cooperative union's lack of the capacity to make independent decision. The functionality of cooperative is constrained by shortage in skill and human resource (especially in cooperative business development). It's also constrained by shortage of capital and limited access to credit. Therefore, Efforts being made to support cooperative should be consolidated an in-depth study to understand the economic and social contribution of cooperatives.

Key words; 1. Cooperatives 2. Social Development 3. Economic Development 4. National Economy

Chapter one

1. Introduction

1.1 Background

Cooperation as a way of life has been and continuous to be a tradition in finding the solution to socio-economic problem of the people in Ethiopia. Traditional cooperative association existed in Ethiopia society centuries ago in the form of “Idir”, which was established by the mutual agreement of community member in order to collaborate with each other when ever any member or their family member face adverse situations. The primary function of Idir is taking care of the burial and consolatory activities when death occurs within members (S & B, 2020). There was also a system of farmers cooperation during the time of farming, weeding, harvesting, tracing and house construction known as “Wonfel”. There also was “Equb”, which was a traditional financial (Saving and credit) cooperative formed voluntary (Mohammed, 2015).

The traditional cooperatives among the rural community were a ground for the flourishing of modern cooperatives in early 1960 in Ethiopia. Cooperatives were few in number and were less recognized. Members of cooperatives during this period included just a few producers of crop and land owners. The new cooperative movement was triggered by the reformist made to the socio-political system. During this socialist government (the Derge regime). Cooperatives were formed to assist in the implementation of the government’s policy of collective ownership of properties. Under this system, cooperative was forced to operate in line with socialist principles, which meant that production and marketing of produce were under taken through collective mechanisms. Membership to a cooperative was also compulsory, which contravened the basic cooperative principle of voluntarily participation (Molinerio & Riquelme, 2021).

The existing government abolished the command economy and introduced economic and political liberalization, including steps to promote the development of democratically governed, market oriented, members owned cooperatives; and professionalism in the management of cooperatives. In addition, the government has a high priority on food security and self-sufficiency. Cooperatives are promoted as a part of Ethiopian rural agricultural development strategies (Kessy, 2020). Currently cooperatives are recognized as an important for socio-economic improvement of the community. This importance is recognized in their definition which consider cooperatives to be an association of person who have voluntarily joined together to common end through the formation of democratic controlled organization making equitable contribution to the capital required and accepting a fair

share of risks and benefits of the undertaking, in which the member actively participate (Fu *et al.*, 2019).

The cooperative proclamation No. 147/1998 identified clear goals and authorities, which supported a more conducive legal environment for the formation of Ethiopian cooperatives. The goal includes social, economic and other motive that require joint action for attaining a common target within the above context. Cooperative promotion offices have been established at regional and federal level to launch the extension of ongoing cooperative development effort to benefit small scale farmers to promote the sprite of self-help community organization(Meniga, 2019).

The federal government of Ethiopia has identified cooperative forms of business organizations as an instrument of socio-economic change many cooperatives have emerged in the recent past to serve the suppressed and depressed community of Ethiopia. Due to the encouragement given the present government, there were many cooperative which are functioning in different parts of the region(Shambel, 2021).Cooperative in Ethiopia is classified on the basic of activities in which they are engage. The cooperative could engage in single activities such as production and marketing; or could engage in a single activity. Accordingly, there are producer cooperatives, housing cooperatives, multipurpose cooperatives, service cooperatives, SACCDs, consumer cooperatives, and construction cooperatives, among others(Tadesse & Kassie, 2017).

1.2 Objectives

- To review the contribution/importance of cooperative to economic and social development in Ethiopia.
- To review the challenges and opportunities of cooperatives.

Chapter Two

2. Literature Review

2.1 Definitions of Cooperatives

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly owned democratically controlled enterprise. The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs. Agriculture trade and military operation were carried out through cooperative effort. The federal government of Ethiopia has identified cooperative form of business organizations as an instrument of socio-economic change as a result as on 30th June, 1998 E.C(Tadesse *et al.*, 2019).

2.1.1 Cooperative Development Policy

The recognition that cooperatives are depend on the policy of the governing regime in Ethiopia. During Emperor Haile Selassie's regime (before 1974) Cooperatives were few in number and were less recognized. They were mainly engaged in production of industrial crops, such as tea and spices. Members of cooperatives during the period included just a few producers of these crops and land owners. To this effect, the first legislation on cooperative was issued in 1960(Ayele, 2021).

The Derge (1974-1991) and the currents of Ethiopia have given special recognition to the cooperative in Ethiopia. The Derge regime considers cooperatives as a mass movement that could ensure equitable mobilization and distribution of resources. They were viewed as instruments for planning and implementing of socialist policies. Cooperative were, therefore, established to active these objectives. It was in the same vein that cooperatives would also be used as a means to mobilize community support for the ruling party. During the Derg regime, this was more conspicuous as cooperative were forced to operate in line with socialist, where production and marketing of produce were done collectively and members pooled their land resource under communal tenure. The current regime gave no attention to cooperatives during the transition period, meaning cooperatives were relatively stagnant b/n 1991and 1993.

Since the government has acted as a facilitator for cooperative development. This involves enacting legislations. In 1995 paid special attention to the development of agricultural cooperatives and issued specific legislation outlined agricultural cooperatives (proclamation No. 5/1995/. This legislation was further developed in 2004 with the issuance of the cooperative society (proclamation No. 147/1998). Generally, the role of government should be more orientated towards support than control. However, in practice this is hardly possible in Ethiopia. The frequent restructuring of government institution, involved in cooperative promotion has quite often hindered the growth and development of cooperatives. In cogitation of the importance of cooperatives for economic development in Ethiopia, the government of Ethiopia has increased its involvement in cooperative development through policy formulation, including five year cooperative development plan and many proclamations on cooperatives (Atanaw & Gebeyehu, 2018).

To improve cooperatives functionality and operational efficiency, FCA has prepared 18 guidelines, true operational mutual, and by always, to guide cooperative development. Increase involvement of government can mobilize human and financial resource to enhance economic and social development through production, marketing processing and distribution of commodities. It is in this regard that the government attempts to use cooperative as an instrument to achieve its poverty reduction strategy. Different type of cooperatives to be organized that will be provided to

cooperatives, including training, technical support, loan provision and networking (Czerniewicz & Rother, 2018).

2.1.2 The Cooperative Movement in Ethiopia

2.1.2.1 Historical overview of development of cooperative

The collective effort through cooperative organization has been chosen by many disadvantage groups as a menace for accessing the benefit associated with a liberalized system. As result different type of cooperative has been formed to meet different objectives over the year. Through there is a death of consistent time series data on cooperative development in Ethiopia, available data indicates the number of registered cooperatives in Ethiopia has generally increased over time (WIDR, 2019) found that in 1974 there were approximately 149 cooperatives, including 94 multipurpose cooperatives; 19 consumer cooperative, 17 hand craft cooperative & 19 SACCDs.

The number of cooperatives significantly increased during the Derge regime (1974-1991), with approximately 10,524 primary cooperatives having 4,529,259 members recorded. Cooperatives organization was highly political during the time and many cooperatives were disseminated following the downfall of the Derge regime in 1991. According to the FCA and estimates made by (Lemma, 2015), the number of cooperatives in Ethiopia declined from 10,524 during the Derg regime to 7,366 cooperatives in 1991. Policy support for cooperatives provide by the current government has seen the number of cooperatives start to increase again.

Data obtained from FCA indicate that up to 2004 there were 8,009 primary cooperatives with 4.06 million members. In 2005, an additional 6,072 new cooperative were established, raising the total number of cooperatives to 14,081, with a member of 4.23 million. The interest of people to join cooperative continued to increase steadily, with 5,066 new cooperatives established in 2006. This made the total number of primary cooperatives raise to 19,147. The number of primary cooperative further members are female (MAHADI, 2019).

2.1.2.2 The current status of cooperative movement

Cooperatives in Ethiopia are classified on the basis of activities in which they engage. The cooperative could engage in a single activity such as production and marketing; or could be involved in multiple activities. Accordingly, there are producer cooperatives, marketing cooperatives, housing cooperatives, SACCDs, consumer cooperatives, hand craft cooperatives, mining cooperatives, construction cooperatives, multipurpose cooperatives and service cooperatives among others. The data collected from the FCA show a total of 24,167 primary cooperatives are registered in Ethiopia with approximately 4.7 million members (Develtere, 2015).

The cooperatives are engaged in 3.6 different types of activities, including grain marketing, coffee marketing, saving and credit services, vegetable and fruits production and marketing, dairy and production and marketing and livestock marketing among others. Table 1, Shows the number of primary cooperatives by activity in which they engage(Ocdc, 2007).

Table 1: Types of primary cooperatives and their proportion, 2008.

No	Types of primary cooperatives	Proportion
1	Multipurpose farmers cooperatives	685,128.35
2	Saving and credit cooperatives	623,625.80
3	Livestock production cooperatives	2,561.06
4	Consumer cooperatives	3,031.25
5	Milk production and marketing	1,800.74
6	Mining cooperatives	11,664.82
7	Irrigation cooperatives	8,163.38
8	Urban agriculture	930.38
9	Hand craft cooperatives	6,272.59
10	Livestock cooperatives	5,852.42
11	Housing cooperatives	389,216.10
12	Coffee production and marketing	480.20
13	Fishery cooperatives	500.21
14	Vegetable and fruit	530.22
15	Construction	2,390.99
16	Gran and seed production	360.15
17	Service cooperative	2,661.10
18	Education & training	50.02
19	Small scale & micro enterprises	21,238.78
20	Traditional healers	40.02
	Total	898537.1815,18262.82

Source: Oromia cooperative commission

Despite the dominant role of agriculture in Ethiopia economy, the number of non-agricultural cooperatives outweighs the number of agricultural cooperatives. As shown in the table 1, approximately 37 percent of the primary cooperatives are engaged in agricultural activities. Multipurpose agricultural cooperatives dominate the list of primary cooperatives (28 percent) followed by SACDs, which are organized both in the rural and urban centers 26 percent(Develtere *et al.*, 2008).

2.1.3 Cooperative Structure

Cooperative policies and strategies are designed by the FCA and approved or enacted by the appropriate legislative body. The policies define how the cooperatives are organized and supported by cooperative promotion institution. Through functionally them students as independent institutions,

cooperative organizations are closely linked with the supporting government cooperative institutions. The level of organizational hierarchy varies across regions(Matsumura, 2003).

There are generally four organizational hierarchies of cooperatives in Ethiopia, namely First level /primary cooperatives, Secondary level/cooperative unions; Third level /federation of cooperatives, fourth level/confederation of cooperatives(Abrar *et al.*, 2021).

However, only three of those hierarchies are currently functional. The confederation has yet to be established. The cooperative federation is established at regional level and forms the basis for establishment of the confederation. Once the confederation is established it will further develop partnership among cooperative union and primary cooperatives, in order to enhance the coordination of import/export activities. It will be an advocator for cooperatives, participate in policy dialogue and represent cooperatives in national and international forums. It will not be involved in usual cooperative business activities. The government has realized the importance of establishing cooperative federation, and is providing technical and other supports through the regional cooperative agencies/commissions. The FCA envisages establishing a total of 17 different types of cooperative federation at the national level over the next five year(Diao & Pratt, 2007).

According to the plan for accelerated and suitable development to end poverty (2006-2010), the government has planned to establish cooperative union per district. When a cooperative union is formed at a district level it will have member from within one district and closely work with the district cooperative promotion office. However, the cooperative promotion office lacks technical capacity to support the union and they are supported by the zone cooperative offices. When primary cooperatives in different district form a union, they are often technically supported by the zone cooperative promotion office. Several cooperative unions such as Merkeb in Amhara region and Oromia coffee Farmers union have primary cooperative members from different districts and zones(Kifle, 2015).

2.1.4 Cooperative on Socio-Economic Development in Ethiopia

2.1.4.1 Economic importance

A large number of cooperatives in Ethiopia participate in marketing of agricultural inputs and produce. As result a significance proportion of cooperative, union are engaged in marketing of agricultural produce (Bernard & Taffesse, 2012). Cooperative provides marketing option for the members and non-members, through the members receive higher price for their produce. Cooperative unions are involved in export and demotic marketing activities, financial transactions and social capital development. The economic role of cooperative is significant in terms of foreign

currency earning for Ethiopia. For instance, four unions (Oromia, Yirga-chefe, Sidama and Yeka-Chaka coffee farmers' union) have generated a total USD 104,154,838 by exporting 36,593.39 tons of coffee between 2000-2009/08. This was equivalent to 0.9 percent of Ethiopian GDP in 2006(CSA, 2016).

Union provides multiple services to their members. The major service delivered by cooperative unions to primary cooperatives includes the following:

- Cooperative union import agricultural inputs, such as fertilizer, seeds and chemicals, and distribute these inputs to members at responsible prices. According to the information obtained from FCA's annual survey, cooperative accounted for 67 percent of total agriculture inputs that were used in Ethiopia between 2000-2007/08. To further illustrate 14 cooperative unions have imported a total of 906.2 metric tons of chemical fertilizers in the same period. It should be noted however that the achievements were possible due to collateral provided by the government, without which bank loans for importing fertilizer would not have been possible to obtain. Cooperative was also responsible for 75 percent of the total agricultural inputs that went to farmers during the same period. Seed multiplier cooperatives were able to satisfy 25 percent to 35 percent of seed demand in their location.
- Cooperative unions purchase agricultural produce from members at a cooperative price and offer dividends on share capital to their members. The primary cooperative gets loans through unions and sell agricultural commodities to unions, which then sell the commodities in local and export markets. For example, coffee cooperatives purchase coffee in comparative markets, where the market price is determined by the competition between the traders and the cooperatives. Cooperatives sell the coffee to unions, which distribute a percent of the profit as dividend and hold 30 percent of the net profit including dividend from the unions (Bizualem & Saron, 2018). These activities have increased the farmers' share of the commodity price margin. The existence of cooperatives in the coffee market has improved the purchasing price offered by private traders. But activities and actual volume of coffee purchased by cooperatives is limited due to financial constraints.
- Some cooperative unions provide machinery renting services to cooperative members in order to introduce modern farming techniques at lower rental prices. For example, the LumeAdama Grain farmers' cooperative union in Oromia provides a tractor rental service, as well as seed and grain cleaners, harvesting machinery and transportation trucks to their members.

- Other service cooperative unions provide to members included transportation of produce, storage of produce, credit, and facilitation of training to primary cooperatives.

The extent to which service offered by cooperative unions meet the demands and needs of the members varies on a case-by-case basis. Some cooperatives unions have not provided the services demanded by member cooperatives at the level expected. Good illustrations come from the Geda Livestock Marketing cooperatives union in Oromia region, which could not render the required services to members due to management problems (Mohammed, 2015).

The involvement of cooperative unions in economic activities is prominent in the following areas:

- Importation and distribution of agricultural inputs, such as fertilizer and chemicals;
- Export of agricultural commodities such as coffee, oilseeds, and pulse crops such as haricot bean, among others;
- Marketing of agricultural produce for their members to the government and private institutions.

The participation of cooperatives unions in economic activities is affected by their management capacity, experience and access to credit. Due to lack of a strong financial position and lack of policy supporting their access to credit, cooperatives unions are highly dependent on government collateral for accessing bank loans. It is in their regard that the government plays a key role in strengthening the financial capacity of cooperatives unions, especially through allocation of foreign currency for the importation of agricultural inputs. For instance, the government supported cooperative unions by allocating foreign currency and allowing unions to import fertilizer and pesticides in 2007 and 2008. However, in 2009 the government gave preference to the agricultural inputs supply corporation (MOC DM – Ministry of Cooperative Development & Marketing, 2020).

In addition, the government supports cooperative for the purpose of stabilizing cereal prices. For instance, Lume Adama Grain Farmers Cooperative union played a crucial role in stabilization of price by supplying food grain at reasonable price during times of soaring food price, as was seen in 2007/08. It appeared that cooperative union acted in a socially reasonable way as they did not take the soaring food price as an opportunity to increase price.

2.1.4.2 Income generation, employment creation & poverty reduction.

Data obtained from FCA that as of 2007, there were 23,000 employees of primary cooperatives in Ethiopia. In the same year the employees of cooperative unions were estimated at 838, making the total number of employees, working in cooperatives to be 23,838 in 2007. According to (Emana, 2009), cooperatives also support the self-employment of 115,079 members.

The following evidence was used to produce revised estimates of the total employment created by the cooperative movement and the income accruing from this employment.

Every union has a manager and between 10 to 35 permanent employees with fields of specializations. If we assume the average number of permanent employees per union to be 20, then the total no of permanent employees would be 2,860, which is higher than the 838 estimated by the FCA. Grain unions employ between 200 and 300 casual workers per year per union. While, the coffee unions also have limited number of casual workers. As there are some cooperatives which do not employ any casual laborers, it is estimated that on average 150 casual workers are employed for an average of 30 days per year. The casual wage workers under take packing of goods as well as other entrances work that emerge occasionally. Converting the casual work in to full time work in 2,437 job per year (a total of 6,392 job created by the cooperative unions). In general, the cooperative movement created approximately 82,074 jobs in 2007, which amounts to approximately 0.2 percent of the total employment in Ethiopia (Fu *et al.*, 2019).

More over primary cooperatives employ different number of permanent and casual worker. For instance, grain farmers' primary cooperatives employ between five and ten permanent staff and pay an average salary of ETB 500(USD 54) per month per person. They also employ casual wage workers occasionally. Dairy cooperatives employ comparatively more staff on a permanent basis. For instance, Adia Liban Farmers' cooperative society employed 70 permanent staff in 2007 paid a total of ETB 225,600(USD 24,442) in salaries which is USD 349 per person. It also employed seven casual workers, with a total wage amount of ETB 6,450(USD 699) during the year. Coffee harvesting is labor intensive. Coffee cooperative in the SNNPR region employ approximately five permanent staff and some 1,000 casual worker for approximately three months of the year. Kenteri primary cooperative societies of the Jimma district of Oromia employed nine permanent staffs and paid a total of ETB 42,300(USD 4,583) in salaries during 2007. It also employed 51 casual workers for 83 days that amounted to a total average 6:11 of ETP 24,271(USD 2,630) rural saving and credit cooperatives (SACCDs) employ some permanent staff and may not need casual worker. For instance, HundeCHalla rural saving and credit of Lode Itossa in Arsi zone of Oromic employ five permanent staff and had no casual workers (CSA, 2015).

2.1.5 The contribution of cooperative in Ethiopia

Cooperative providing stable and non-precarious employment, since this is what individual wants. They also decrease inequality through equal ownership of the members of production, create community resource for self-sufficiency on a local scale, build community network and social capital, foster self-education and individual employment. Cooperative people power allows people to create

their own opportunities. Cooperative also opens up new market, creating economic growth, by organizing the supply of inputs the marketing of outputs(Gezahegn *et al.*, 2018).

For example, worker cooperative brings together the labor of individuals and a farmer cooperative market their produce. Credit unions, particularly with micro credit can provide credit to poor and a safe place to invest their earnings. Cooperative federate intentionally, creating import and export market. Obviously, multi-national companies also organize difference is that cooperatives organize all this in a way which create employment and economic opportunity for the individual (García *et al.*, 2019).

Cooperative and equally owned by their members, there is no better way to create economic growth in an equitable way than through the development of cooperatives. Additionally, since cooperatives operate in a competitive environment, they are better placed to create sustainable growth than typical government initiatives. Yet because cooperative is equitably and locally owned unlike companies and multinationals which tend to have highly – concentrated and external individual ownership, they provide a third way of economic development which is neither capitalist nor communist. In this since cooperative have a potential to create opportunity for the poor in the way that capitalist economic development is supposed to, achieving the equality intended by communism, while also creating actual economic democracy (Camargo & Ehrenhard, 2021).

2.1.6 Challenges to cooperative development in Ethiopia

The cooperative movement in the country faced a number of challenges in the different economic systems of the country. The cooperative sector of Ethiopia faces the organizational and structural, resources, political and legal, monitoring and evaluation problems.

Most of cooperative don't have professional manger due to two reasons the viability of cooperative is not always ensued to low organizational/technical support and follow up by the concerned bodies. Every changing structure the cooperative bodies at federal, regional and woreda level highly affected the smooth development of cooperative societies in the country.

Spielman (2008) sums the challenge of cooperative as follows: tension exist between the growing roles and responsibilities of cooperative in Ethiopia's economy, and limited capacity available to manage their roles and responsibilities. A similar tension exists between cooperatives effort to develop effective internal governance system and division making process, and their need to response external priorities, market opportunities and general change in Ethiopia's wider socio-economic condition. Also, tension emerges from the effort to promote cooperatives as inclusive.

The current practice reveals that cooperative unions have little capacity for policy advocacy. Cooperative union, as the apex of the cooperative in most regions, is not strong enough to influence

government policy. They are weak in terms of capacity and require government support. The linkage with other member-based organizations, such as workers' unions and employers' organization is very weak or almost reliable. Moreover, the workers union do not promote importance of cooperative within the community almost of them have very weak linkages with their own members because of poor managerial capacity.

Cooperative also encounters technical skills constraint and capital shortage. The members' economic and financial power to strength their cooperative society is very weak, which hinder the attainment of objectives. Lack of skill in cooperative development is also attributed to the allocation of cooperative professionals to other sector and replacing them with people who have no cooperative back ground which affect the performance of cooperatives. Union needs collateral from government in order to borrow from banks. Almost all cooperatives in Ethiopia do not have access to long-term credit service for investment purposes. So, cooperatives are suffering in shortage of capital. The infrastructure problem (road, transportation, bank, etc) in the rural Ethiopia hinder the provision of inputs, consumer goods and marketing of members produced by cooperative societies member patrons. Lack of timely, accurate and reliable market information adding the challenges(Ayele, 2021).

2.2 Empirical Review

Cooperatives are generally regarded to be significant generations of employment opportunity in Kenya. The ministry of cooperative development and marketing estimates the movement directly 300,000 people these are the people who are changes with the responsibility of managing cooperatives for a wage (MOEDM). In addition to such direct employment in the movement, cooperatives also estimated to generate employment for over 1.5 million people indirectly(Kizito *et al.*, 2012).

Besides creating employment, cooperatives are also source of income generating opportunities for many people. For instance, the SACCDs had 6,286,894 members, 98% of whom were active in the undying activities of their crops. The primary cooperatives had slightly over seven million active members that directly associated income with cooperative activity. The multiplier effect of cooperative membership would see the income generating opportunities, spread to more people. It is from this prospective that 63 percent of Kenya's population (i.e, approximately 23.4 million people is estimated to be participating directly or indirectly in economic activities that originated from the cooperative movement (MOC DM – Ministry of Cooperative Development & Marketing, 2020).

This data are clear pointers to significant contribution of cooperative to poverty reduction and poverty presentation in Kenya. This particularly true most of the income generated form cooperatives

is mainly used to address long term poverty presentations measures. For instant the main types of back-office loan offered by most SACCOs (at interstate, of 1 to 1.5% on reducing balances for a 12-month period) is associated with school fees (Wysocka, 2018). This has offered many members of cooperatives an opportunity to educate their children, under the assumption that education can help to prevent poverty in long term. Development loans offered by most SACCDs have been to buy land, building, and house, invest in business and farming, buy household furniture and meet other family obligations.

In Tanzania nearly eight million people are dependent on the services and employment opportunities associated with the cooperative movement. The movement shows strong and persistent organizational stability. The Tanzania federation of cooperatives continually under takes assessments and make contribution to cooperative policy and regulation. Their capacity to lobby on behalf of cooperative members has made, if possible, for them to reach other cooperative movement, especially in Europe, and there is now some networking between local cooperatives and foreign cooperative organizations. Saving and credit cooperatives have been more successful in increasing social protection for members by providing loans for emergencies, social fees and funerals, among others (Wanyama *et al.*, 2011).

In Bangladesh, there are approximately 28 million people are depending on the service and employment opportunities associated with the cooperative. A recent study of the economic impact in Bangladesh credited the electric cooperatives with creating 3 million new jobs, presenting 17% of household income (de Lis *et al.*, 2012)

Due to cooperative, family assistance, health insurance, compensation for temporary absence and desirable pensions. The government promotes cooperative and business education of members and also operates a research and development cooperative as result high social capital and extremely open atmosphere see for example, (Ducastel & Anseeuw, 2018).

The following evidence was used to produce revised estimates of the total employment created by the cooperative movement in Ethiopia.

Every union has a manger and between 10 to 35 permanent employees with fields of specializations. If we assume the average number of permanent employees per union to be 20, then the total no of permanent employees would be 2,860, which is higher than the 838 estimated by the FCA. Grain unions employ between 200 and 300 casual workers per year per union. While, the coffee unions also have limited number of casual workers. As there are some cooperatives which do not employ any causal laborers, it is estimated that on average 150 casual workers are employed for an average of 30 days per year. The casual wage workers under take packing of goods as well as other entrances work

that emerge occasionally. Converting the casual work in to full time work in 2,437 job per year (a total of 6,392 job created by the cooperative unions). In general the cooperative movement crated approximately 82,074 jobs in 2007, which amounts to approximately 0.2 percent of the total employment in Ethiopia (Kanyane & Ilorah, 2015).

Chapter Three

3. Discussion

Cooperative during emperor Hilselassies regime (1960-1974) were few in number and less recognized. They were only engaged in production of industrial crops. Also, member of cooperatives jus few in number (i.e. producer of crops and land owners). Lack of efficient market system that is characterized by low price of farm product and high price of inputs with poor transport facilities. In contrast the regime introduces modern cooperative concept and establish independent appropriate authority to promote cooperative societies.

Cooperative during the Derge Regime viewed as cooperatives instrument for implementation of socialist policies (i.e., political activities largely run these cooperative system). Also, cooperatives were forced to operate in line with socialist principle and used as a means to mobilize community support for the ruling party. Generally cooperative during the regime contravened the basic cooperative principles of voluntary participation and mismanagement were so prevalent. Even though, cooperative values and principles were violated by the cooperative movement of the period there were some positive contributions to the cooperative development of Ethiopia. Introduction of distribution of consumer goods and extending agricultural credits. The number of cooperatives significantly increased compared to Hilselassies regime.

The current regime recognizes cooperative as an important for socio-economic improvement of the community and introduced economic and political liberalization, including steps to promote the development of democratically governed market oriented, members owned cooperatives; and train man power in the sector increasing through universities and colleges, provide loan to their member, union (secondary cooperative) were formed and establish federation at national level are among others. In addition, the government enacting new cooperative proclamation, developing cooperative policy and maintaining law and order, which swits to the current economic system. Also cooperative are promoted as a part of Ethiopian rural agricultural development strategies. In contrast the frequent restructuring of government institutions involved in cooperative promotion has quite often hinder the growth and development of cooperatives.

Cooperative in Kenya significantly generator of employment opportunities. i.e., over 300,000 people directly and 1.5 million people indirectly. In addition to creating employment, cooperative in Kenya are also source of income generation for many people. The estimation indicates that 63 percent of Kenya's population (approximately 23.4 million people) is estimated to be participating directly or indirectly in economic activities that originated from the cooperative movement. The income generated from cooperatives is mainly used to address long term poverty prevention measure in Kenya. Also cooperative in Tanzania generated service and employment opportunities nearly eight million people. The cooperative network in Tanzania is good. There are networking b/n local and foreign cooperative organizations. Saving and credit cooperative have been more successful in increasing social protection for member, by providing loans for emergence, social fee and funeral, among others. And also cooperative in Bangladesh create opportunities to service and employment approximately 28 million people.

Cooperative in Ethiopia created less employment opportunities compared to the above countries. i.e. approximately 82, 074 in 2007, which amount to approximately 0.2% of the total employment. And less income generation because of many reasons. Saving and credit cooperative in Ethiopia are less successful, shortage in skilled human resources (especially in cooperative business development). The networking b/n local and foreign cooperative organization is low. Most decision takes place lack of awareness about the role of cooperative in economic and social development. Generally cooperative sector of Ethiopia faces the organizational and structural, resources, political and legal, monitoring and evaluation problems.

Chapter Four

4. Conclusion and policy Implication

4.1. conclusion

Cooperative development is identified as an important tool to stimulate sustainable economic growth and social development. As a result, the government has been committed to the promotion of cooperative development through its cooperative support institutions. These efforts have seen a steady increase in the number of cooperatives in Ethiopia in the recent years. However, the level of support has been inadequate as demonstrated by the effort to increase the number of primary cooperatives a union getting low attention to improve their functionality and technical viability.

Continuing with a 'business as usual' approach will have repercussions for the vibrancy of many cooperatives in Ethiopia. The time requires a new mindset, quality leadership, modern cooperative

management and modern financial management techniques in order to ensure cooperative are sustainable and able to meet their multiple objectives.

Vibrant and innovative cooperatives, such as the Oromia coffee union, are entering in to a new product line to increase their share of the value chain. Involvement of cooperatives in a new product processing and marketing lines is encouraged. This will enable them to more active in the value chain & increased their market shares and surplus margin.

Given the adverse range of activities that primary cooperatives and cooperative unions are engaged in and the variation of these activities by region, cooperative unions may have trouble providing a representative and coherent voice for their member. This calls for the formation of cooperative federations. The formation of the southern region farmer cooperative is breakthrough in this regard. The Oromia region cooperative promotion commission has made good process in establishing agricultural cooperative marketing federation. The cooperative movement in Ethiopia has been facing short age of skilled human resource, capital and credit access. This affects the performance of cooperative development and management system.

4.2. Policy Implications

- Strong support is needed for the formation and operation of regional/national cooperative federations and national confederations. Continued capacity building work is needed, particularly through training. Material and technical supports are also necessary to put the cooperatives on a promising growth path with the formation of national cooperative federation, cooperative alliance with regional and international cooperative organizations can be built.
- Efforts being made to support cooperative should be consolidate an in-depth study to understand the economic and social contribution of cooperatives is necessary.
- It must be impressed up on the members that the satisfactory functioning of their cooperative depends primarily up on their activity's participation in democratic management.
- Members contact, member's information and member education are extremely important.
- Statistics of cooperative across regions could lead one to understand that the number of cooperatives, especially SACCDs established in rural areas, is smaller than they are in reality. Extra effort should be made to establish and strengthen rural cooperatives with priority given to cooperatives that can engage in value addition to livestock products and provision of services to the community.

- Moreover, many primary cooperatives are usually managed by cooperative management committees that lack modern cooperative management skills. It is therefore important to build the capacity of primary cooperative management committees and their staff. Moreover, awareness creation for policy makers and office of government cooperative institutions of different level should be given emphasis so as to effectively promote and develop cooperatives.
- Partnership among higher institutions involved in teaching cooperative issue and cooperative, should be established and strengthened to overcome the human resources limitations. development research, in order to find innovative ways of enhancing cooperative function.

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