



**International Co-operative
Alliance – Africa**
A Region of the International
Co-operative Alliance

LEGAL FRAMEWORK ANALYSIS

ETHIOPIA NATIONAL REPORT

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Abbreviations

EPRDF	Ethiopian People’s Revolutionary Democratic Front
FCA	Federal Cooperative Agency
FCC	Federal Cooperatives Commission
FDRE	Federal Democratic Republic of Ethiopia
ICA	International Cooperative Alliance
ICA-Africa	International Cooperative Alliance- Africa
LFA	Legal Framework Analysis
NGO	Non-Governmental Organization
RCA	Regional Cooperative Agency
SACCOS	Savings and Credit Cooperative Society

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1. INTRODUCTION

The Legal Framework Analysis (LFA) is undertaken under the auspices of the Framework Partnership Agreement “Cooperatives in Development – People Centered Businesses in Action” between the International Cooperative Alliance (ICA) and the European Commission to which the Alliance Africa is a co-signatory.

Cooperatives benefit from regulations acknowledging their specificities and ensuring a level playing field with other types of business organizations. The absence of a specific legal framework for cooperatives or a weak legal framework may damage cooperatives, while in contrast a supportive regulation may allow their development. This is the reason why knowledge and evaluation of cooperative legislation is a necessary tool for ICA offices and members to support their advocacy and recommendations on the creation or improvement of legal frameworks, to document the implementation of cooperative legislation and policies, and to monitor their evolution.

Against this background, the objectives of the LFA are: (i) to acquire general knowledge of the national legislation on cooperatives, including but not limited to the legislation in force in the 112 countries represented by ICA members, as well as of supranational cooperative legislation if existent; (ii) to evaluate the national jurisdictions covered by the LFA according to their enabling environment for cooperatives, in order to compare national cooperative laws with pre-determined indicators, based on a scale of “cooperative friendliness” of the national legislation; and (iii) to provide recommendations for eventual renewal of the legal frameworks in place.

1.2. About the Author

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2. General Context

An understanding of the status of cooperatives in present day Ethiopia demands the knowledge of traditional forms of cooperation that existed long ago as they are the building blocks for the modern development of cooperatives. Living or working together is not new to the Ethiopian people. Their unity and cooperation are manifest in many socio-economic settings. Farmers used to cultivate their lands together by calling what is known as “*Debo*”, “*Wonfel*”, and “*Gige*”¹. All these traditional forms of cooperation have the same meaning in different local languages in Ethiopia which is “engaging and working together.” Hunting, farming, cultivating lands, sowing, weeding and harvesting were common practices. People built their houses together and herded their cattle together. The other types of traditional cooperatives are known by the name *Eddir* and *Equb*. *Eddir* which is an institution established among neighbours or workers by collecting some amount of money to support members during difficult encounters, such as death of a family member. *Equb* is a traditional saving and credit institution with a rotating fund. All these forms of traditional cooperation had a meaningful role in both rural and urban areas of Ethiopia and remain relevant today. Many scholars believe that traditional types of cooperation have been the ones which paved the way for modern types of cooperatives.

Cooperation has always been a way of life that Ethiopian people cherish. They even have an inspiring Proverb which in Amharic goes “*Der biyabber anbessa yaser!*” In English it can be translated as “individual threads, however weak, in cooperation can incarcerate a lion”.

Cooperative during the Era of Emperor Haileselassie I

The history of formal or modern types of cooperatives in Ethiopia started during the Era of Emperor Haileselassie I during the 1950s. Later on, Decree No. 44 of 1960 and later by the Coop. Proclamation 241/1966 was issued.

It is with the promulgation of decree No. 44 of 1960 (Farm Workers’ Decree), meant only for poor farmers that cooperatives have come to acquire their formal legal status. Lack of appropriate budget and trained manpower to introduce and promote the program which to

¹ *Debo* is working together for a short while (less than a day) to assist a neighbor in his/her farming activities.

Wonfel- is working together in a reciprocal manner.

Gige is also about working together in farming activities but does not entail reciprocity, and usually takes a longer time (a day or two).

improve the standard of living of the farmers, better business performance and improving method of production coupled with Feudal landholding system were some of the obstacles in exercising the 1960 Decree. The 1966 Coop. Proclamation embraced all cooperative principles which made it possible to form any type of cooperative. However, this Proclamation was not successful in bringing about expected changes for the poor farmers in part because it benefited landlords and businesspersons instead of members of cooperatives.

Meanwhile, the Emperor's Proclamation (the 1966) had given an opportunity to form Savings and Credit Cooperatives (SACCOs) in urban areas. Relatively speaking, members of SACCOs were better-oriented workers about benefits of cooperatives in Government offices and different private companies. This orientation at the time enabled and inspired other workers of different institutions to establish SACCOs in Ethiopia. All SACCOs combined are the second largest group of cooperatives in terms of membership and capital. SACCOs have demonstrated a strong commitment to the ideals of self-help and had already passed a test of time.

Cooperatives during the Derg Regime (1974-1991)

In 1974 the Emperor was toppled by the Military Junta known by the name Derg and Proclamation No.138 /1978 came to existence after repealing Proclamation No. 241/1966. This proclamation was inclined towards a socialist system and cooperatives became focal areas for rural development.

The 1978 Proclamation, which was contrary to the previous one, had been enacted in a comprehensive way for the establishment of various types of cooperatives. The Proclamation No. 138/1978 envisaged collective ownership of means of production including land and farm machineries. Peasants were supposed to own and manage collective farms. The Ministry of Agriculture was responsible to support these cooperatives in providing agricultural input (seeds, fertilizers, and chemicals) and also marketing produce.

Several government units were given mandates over different type's cooperatives on the basis of their areas of specialization. For instance, the National Bank of Ethiopia was entrusted with the duty of controlling financial matters relating to SACCOs. The Ministry of Trade and Industry

was empowered to control², supervise, and assist the establishment of cooperative trade, handicrafts industries while formation of urban housing cooperatives was assigned to Urban Housing and Construction Ministry.

Since the country was pursuing a socialist model of development, cooperatives in Ethiopia were treated in much the same way as those in other socialist countries. Nevertheless, the cooperative movement could not be able to bring about the desired changes owing to the following reasons:

- (i) Cooperatives, especially rural cooperatives, were tightly controlled by the government in terms of producing and marketing their products. Prices, much lower than the market price, were determined by the government. This means, farmers were deprived of their rights and lacked incentives to work for better future.
- (ii) Since management and control committees remained in office for a long term (as they are politically affiliated to the government), the democratic feature of cooperatives was diminished.

On the one hand the democratic principles of cooperatives were avoided and replaced by compulsory rule of law.³ Paradoxically enough, the Derg regime formed cooperatives extensively throughout the country. Since there had never been members' willingness or voluntariness, farmers were reluctant and fade up of staying as members of collective farming cooperatives. Internal challenges were growing day by day and negatively impacting the system. As a last resort, the Derg Junta introduced the Policy of Mixed Economy in which the Collective Farms could be dissolved if members wanted to do so. It so happened that the fate of collective farms ended up in dismantling within a few days and not even weeks. Efforts made for a decade and a half to bring about a socialist system in Ethiopia ended by removing the Derg Junta in 1991. When the Derg regime was overthrown by the Ethiopian People's Revolutionary Democratic Front EPRDF government, 99% of Collective farm Cooperatives were dismantled.

² Due to socialist ideology of the economic development in the country, the then cooperatives were totally controlled and supervised by the given ministry.

³ It is compulsory rule of law because membership was not based on member's voluntariness, it was coercive.

Cooperatives during the EPRDF regime and after (1991-current⁴)

Beginning from 1991, cooperatives started to see changes for better opportunities as their roles in economic development were objectively understood.

By Cooperative Proclamation No. 147/1998, the legality of cooperatives had been acknowledged by the Federal Democratic Republic of Ethiopia's (FDRE) Constitution which is the supreme law of the land.

Article 31 of the Constitution states, “Every person has the right to freely form association or join any association of his/her choice with a view to pursue a legal cause.” Furthermore, as per Article 41(1) and (2), “every Ethiopian has the right to engage freely in economic activity and to pursue a livelihood of his choice anywhere within the national territory, and to those his/her means of livelihood, occupation, and profession.”

Thus, the Ethiopian government is doing everything it should and could to see to it that cooperatives are expanding to the required level by taking appropriate legislative measures and making appropriate policy decisions. The government has also assigned the required human resources starting from *kebele* (grass root government administrative structure) cooperative extension workers up to professionals and officials at the federal level.

In a nutshell, cooperatives became powerful instruments for local development in both urban and rural areas of the country. New forms of cooperatives were introduced to meet farmers’ special needs, thereby eliminating middlemen. The then Federal Cooperatives Commission (FCC), the government agency under the Ministry of Agriculture had played a key role in the successful development of all types of cooperatives throughout Ethiopia.

The Proclamation had served as a legal document in developing the capacity of cooperatives, membership growth, formation of unions and federations, and professionalization of management to mention but a few.

⁴ Though the EPRDF government has somehow changed and the country is in huge reform, the cooperative movement is not affected in any way so far and there are no policy changes in regard to cooperatives. So, technically we take the government after 1991 to be the same and refer to it as “the current” in the analysis.

But with complexity of cooperative businesses, it has become a necessity to meet the 21st Century challenges of globalization in terms of international trade and technological advancement. Therefore it has become eminent to have a new Cooperative law in place that qualifies the standard.

The new Cooperative Proclamation No. 985/2016 came to existence in Dec. 2016 after repealing the previous Cooperative Proclamation No. 147/1998. The new Proclamation in its preamble states the importance of its promulgation namely to emphasize the role of cooperatives by ensuring members' rights and ownership.

The new Proclamation, apart from fully defining a cooperative, has added about seventeen new articles. Meanings in terms of hierarchy of cooperatives (Primary, Union, federation, and League) are articulated. Sector wise, multipurpose cooperatives, Savings and Credit Cooperatives and other types of cooperatives are defined. On formation of cooperative societies, the new Article 7(4) provides "primary cooperative societies established at federal level shall consist members from two or more regional states." In this Proclamation, the duties and responsibilities of cooperatives from Primary up to the League are distinctively separated with extensive elaboration of their activities each having their own legal boundaries to avoid futile exercises of redundancy hierarchically and they should consider value-addition as a norm. The provision of micro- credit insurance is also a new article in this Proclamation.

Establishment of Cooperative fund is another important article that enables cooperatives to cover expenses related to audit activities or legal services, and other similar activities by their own capacities.

2.1 Specific Elements of Cooperative Law

2.1.1 Definition and objectives of Cooperatives

The Cooperative Proclamation No. 985/2016 defines a cooperative as “an autonomous association having legal personality and democratically controlled by persons united voluntarily to meet their common economic, social and cultural needs and other aspirations, which could not be addressed individually, through an enterprise jointly owned and operated on the basis cooperative principles.”

Cooperative societies established pursuant to this Proclamation shall have any one or more of the following objectives:

- (i) To collectively overcome, withstand and solve economic and social problems which members cannot individually achieve;
- (ii) To achieve a better result by coordinating members' knowledge, resource and labour;
- (iii) To promote self-reliance among members;
- (iv) To reduce production and service costs and to offer inputs and services to members with lower costs and finding better market prices to their products or services;
- (v) To expand situations by which technical knowledge could be put into practice and promote entrepreneurship;
- (vi) To develop and promote saving culture between members;
- (vii) To provide loans to members and promote investment;
- (viii) To provide loan-life insurance coverage to members;
- (ix) To minimize and reduce damage and loss of each individual member, if it had been undertaken individually, by sharing it to members; and
- (x) To develop the social and economic capacity and culture of the members through education and training.

In cooperative philosophy “man is the master of capital whereas in profit maximization of private organizations, capital is a master of man and man is a servant of capital”. This is the first distinguishing mark that objectively differentiates cooperatives from privately owned investment companies.

The other main distinguishing feature of cooperatives is related to the three peculiar features of cooperatives i.e. user-owned, user controlled and user benefit. The unique characteristics of cooperatives can be derived from the fact that the customers, owners and members could be the same person.

In a nutshell, cooperatives in Ethiopia are distinct from other forms of business organizations in that:

- (i) They are owned and democratically controlled by their members:

- (ii) They are motivated not by profit, but by service to meet their members' needs for affordable and high quality of goods or services.
- (iii) They exist solely to solve their members' problems.
- (iv) They are exempted from paying income tax;
- (v) Primary cooperatives are free from any court fee; and
- (vi) They can obtain land from regional authorities without federal government's sanction

In the same token the objective of cooperatives in the Proclamation is aimed to improve the livelihood of its members. If we specifically see the objectives in separation, it includes the collective action to be taken by members to solve economic and social problems, enhance members' knowledge and skills, realize self-reliance, and ensure self-responsibility and solidarity.

At the by-laws level, governance is explicitly structured in such a way that the authority and power of leadership and management indicates in the responsibilities of every person in a manner that ensures checks and balances. Moreover, transparency and accountability, and democratic participation of members are the pillars of good governance in cooperatives. The by-laws are specific regulations which are ratified by members to guide governance and management of cooperatives' resources.

The by-laws also affirm the importance of leadership in management control, external and internal audit and supervision. Interest rates for savings and loans are determined by the general assembly, overviewed by the Control Committee and implemented by the Management Body. There is always an annual general assembly meeting where important issues including dividend could be decided.

The law requires cooperatives to engage in activities which promote their members' interests. The Proclamation describes promotion "as the duties and responsibilities of the cooperatives." Specifically, the law gives extensive space for cooperatives to engage in activities that are beyond the capacities of individual members and solve common economic and social problems through capacity development. Members' promotion must be carried out depending on the capacities of the cooperatives themselves. This purpose is implemented according to the law and based on annual implementation. There is no obligatory rule in the Proclamation for cooperatives to transact with members. This means that when members and the cooperative leaders agree to

make a deal to transact with each other, they can do so. However, when members and cooperatives equally share the same objective, transaction is possible either fully or partially. Due to this fact members feel a sense of ownership and connected to their cooperative.

The Proclamation allows provision of services to non-members. The conditions under which cooperatives provide service to non-members shall be based on contract and for the following purposes:

- a) Distributing inputs supplied by government to increase productivity and production;
- b) Distributing consumables: products supplied by government to balance supply and demand;
- c) Distributing revolving funds and social service to the society availed by different development partners; and
- d) Supplying agricultural inputs and collect agricultural products from farmers engaged in farming.

Serving non-members has positive roles in attracting potential members to join cooperatives. In this transaction, non - members do not have any rights such as participation and decision - making. Non-members do not have the right to claim dividends from the profits made during the transactions.

2.1.2 Establishment, Cooperative membership and Governance

For cooperatives to be legally recognized they have to get a certificate of registration. The specific Office of the Registrar at the national level is the Federal Cooperative Agency (FCA). FCA is a governmental organization accountable to the Ministry of Agriculture based in Addis Ababa. Regional Cooperative Agencies (RCA) are responsible for the registration of all types of cooperatives in their respective regions. RCA in some regions are accountable to the regional agricultural offices while other RCAs are accountable to regional trade offices in other regions.

Cooperatives may, according to their nature, be established at different levels from primary up to federation level. A primary cooperative society can be established by individuals who live or work or engaged in a specific profession within a given area; and by number of members not less than fifty. The appropriate authority may specify in a directive the minimum number of members of a society based on the nature of the work and economic feasibility provided. However, the

minimum number of members cannot be less than 10. Primary cooperative societies established at federal level must consist of members from two or more regional states. The appropriate authority can establish and register cooperative societies at federal or regional levels.

For a group of people to get registered as a cooperative society, it must submit an application for registration together with the following particulars to the appropriate authority:

- a) Minutes of the founders meeting;
- b) The proposed by-laws of the cooperative society in three copies;
- c) Names, address and signature of the members of the management committee of the cooperative society;
- d) Name, address and signature of the members of the control committee of the cooperative society;
- e) A detailed description which proves that the registered members of the cooperative society have met the requirements for membership in accordance with the provisions of the Proclamation and the by-laws of the cooperative society;
- f) If the cooperative society is of a higher level than a primary cooperative society, the name and address of the member primary cooperative societies and signature of their representatives;
- g) Three up to five years action plan of the cooperative;
- h) Documents showing the amount of initial capital of the society and the capital that has been collected and deposited in a bank account, if there is no bank in the area, that it has been deposited in a Financial Institution where the appropriate authority has designated;
- i) The description of the place at which the cooperative society operates; and
- j) Other particulars that may be specified in regulations or directives issued by relevant authorities.

The appropriate authority shall register the cooperative society and issue a certificate of registration within five consecutive working days when it is satisfied that the application for registration submitted to it has fulfilled the requirements for registration. The date of registration of the cooperative society as a cooperative society shall be recorded on the certificate of registration.

When the number of members of a primary Cooperative society falls below the required minimum, the cooperative shall be dissolved. The certification of registration of the cooperative shall be returned to the appropriate authority who shall cancel the registration of the cooperative society and the cooperative shall up on the date of such cancellation, cease to exist.

There are no closed doors in the Proclamation that hinder potential members from joining a cooperative. Any person who has attained the age of 18 and is able to pay the share capital and registration fee required by cooperative in the bylaw and in addition that is willing to discharge obligations of membership can be a member. A member of a cooperative may leave on his/her own initiative. Provided that he/she is free to leave with the fulfillment of accountability and responsibility required.

According to Cooperative Proclamation No. 985/2016, “any member shall, regardless of the number of shares has only one vote at the meeting of the cooperative society.” Voting is based on the one member one vote principle regardless of share capital and no other limitation or exception in the law. However, when the number of members exceeds 500, voting could be carried out by representation.

The internal structure of cooperative administration (governance) under the Cooperative Proclamation includes the General Assembly, Management Committee, Control Committee and other standing or ad hoc committees. The day- to- day affairs of a cooperative society can be taken care of by managers and other employees hired on the basis of the labour law of the country.

According to the Cooperative Proclamation No. 985/2016, the General Assembly is the Supreme organ of cooperative. The power and duties of the General Assembly contain eleven sub-articles. The internal structure of the cooperative in Article 32 is the actual system of governance in the cooperative performance. The General Assembly has the power and duties of decision - making in terms of the by-laws, electing and/or dismissing committees, determining share amounts, distributing annual net profit. Approving audit report is also their duty.

The member- control mechanism is assured through annual general assembly meeting and this is promulgated by the Cooperative Proclamation. Members’ participation, responsibilities, accountability, transparency, equity, equality, solidarity and fairness are included.

Any policy set by the General Assembly should be exercised and implemented by the management committee, supervisory committee and the management staff, according to their specifically assigned roles and responsibilities, with direct application of checks and balances and rule of law.

The Proclamation does not allow directors of the cooperative to be non-members. Duties and responsibilities of directors and administrators in terms of non-performance or failure to abide by ethical or legal standards is a serious issue which is well addressed by the cooperative Proclamation.

The principles of transparency and accountability are entrenched in the law to address issues of regarding non-performance and avoid any harmful mismanagement or corruption in a cooperative.

Powers and duties of the General Assembly

The General Assembly is the Supreme organ of a cooperative with the following powers and duties:

- (i) Pass decisions after evaluating the general activities of a cooperative;;
- (ii) Approve and amend by-laws and internal regulations of a cooperative society;
- (iii) Elect and dismiss members of the management committee, control committee and other members of sub-committees;
- (iv) Determine the amount of shares of a cooperative society;
- (v) Decide the distribution of the annual net profit of a cooperative society;
- (vi) Review and give decision on the audit report;
- (vii) Hear work reports and give proper decision;
- (viii) Decide in accordance with the Proclamation on the amalgamation of the cooperative society with another cooperative society or its division into two or more or dissolution of the cooperative society by the general assembly special resolution;
- (ix) Approve the annual work plan and budget of a cooperative society;
- (x) Approve members admission or dismissal from membership based on the report submitted by the Management Committee;
- (xi) Decide, in accordance with the powers vested in it by the by-laws, on any issue submitted to it by the management committee and other committees.

According to the Cooperative Proclamation, every society shall have a management committee to be elected pursuant to the by-laws of the society and accountable to General Assembly. The

management committee's powers and duties are be determined by the by-laws of the cooperative.

Powers and duties of the management committee

- 1) Maintain the minutes of meetings in writing and keep records;
- 2) Maintain the documents and books of accounts of the cooperative;
- 3) Prepare the annual work plan and budget of the cooperative;
- 4) Call general assembly in accordance with the by-laws of the cooperative society;
- 5) Execute decisions of the general assembly;
- 6) Manage all activities of the cooperative society, submit reports to the general assembly;
and
- 7) Distribute dividends based on the approved audit reports by the general assembly of the cooperative society.

Every society shall, according the Proclamation, have a control committee which is accountable to the General Assembly and the number of which shall be specified by the by-laws of the cooperative.

Powers and duties of the control committee

The Control Committee has the following powers and duties:

- (i) Follows up that the management committee in discharging its responsibilities properly;
- (ii) ensure the funds and property of the cooperative society is properly utilized;
- (iii) ensure the various activities of the cooperative society are carried out pursuant to law, by-laws and internal regulations of the cooperative society;
- (iv) Execute decisions of the general assembly;
- (v) Performs other duties given to it by the general assembly.

Powers and duties of the Manager

The manager shall administer and lead the day- to- day activities of the cooperative society in accordance with his job description and representation as well as activities assigned to him by the management committee.

2.1.3 Cooperative financial structure and taxation

Usually, a minimum share capital for cooperative establishment is not prescribed in terms of needed capital by the Proclamation. But, it is rather prescribed in the by-laws of each cooperative, according to its own capacity and capability of members. However, the Proclamation provides “any primary cooperative society shall be established with an initial capital that covers at least one year operation cost based on its plan and feasibility study”.

According to the Proclamation, any cooperative is required to offer shares which have equal per value with a view to enable the cooperative to obtain capital necessary to start its functions. A member can hold not more than 10 percent of the total share capital of the cooperative.

Any cooperative shall deduct 30% of the net profit and allocate for the reserve fund. The amount allocated for the reserve fund shall continue to be deducted until it reaches 30% of the capital of the cooperative and it shall be deposited in the saving account of the cooperative. The distribution of the remaining 70% net profit shall be determined by the general assembly; provided, however, that the general assembly may allocate for education or training or incentive or audit fund for social service from the same net profit pursuant to the by-laws of the cooperative. Profits in the form of dividends are paid to members after financial statements are audited and approved by the general assembly, in respect to the capital prescribed. Profit must be allocated to members by the cooperative according to their participation in transactions. Since sources of generating profit emanate from different groups (members vs. non-members) knowing each groups contribution is relevant. The law governing cooperatives also covers patronage refunds. Patronage refund is about distributing member profit back to its members. The Proclamation does not qualify the conceptual differences between patronage refund and dividend.

There is no room in the Proclamation to entertain investor- member. The member loan provision is included in the Proclamation; agriculture cooperatives get short term loans as working capital for purchasing agricultural inputs from members. Also, there are some Non-Governmental Organizations (NGOs) – local and/or international – supporting cooperatives by providing seed money or revolving funds.

In the event of liquidation, after the payment of claims has been completed or verified by the appropriate authority that sufficient deposit for payment has been made; the liquidators may distribute the assets of the cooperative society among the members of the cooperative based on the amount due to them.

As cooperatives play a vital role in alleviating the economic challenges of their members, they are granted certain privileges, benefits and incentives from the government. One of the privileges that cooperatives have is that tax exemption. Cooperatives in general are not subjected to either a specific or general tax regime. Meaning, in order to avoid double taxation, cooperatives are not subjected to income or profit tax. But individual members pay income tax or profit tax from their dividends to the government. Depending on the type of the cooperative, they may collect VAT or Turnover tax (TOT) to the government from their customers.

2.1.4 Other specific features

The law clearly recognizes cooperatives as independent and autonomous entities and the right to self-control is guaranteed. Cooperatives are free to perform their activities according to their members' needs. There is no room for the government to intervene in the affairs of the cooperatives and no provisions that gives green light for undesired interference from the government. However, cooperative being legal persons, are subject to some external (government) control. The role of government is very much limited to regulatory issues, technical and institutional support like capacity building and other engagements as stipulated in the Proclamation.

The principle of cooperation among cooperatives in the Cooperative Proclamation No. 985/2016 is expressed as cooperatives societies shall serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

3. Degree of “cooperative friendliness” of National Legislation

There is a business network between urban and rural cooperatives which is based on ethical values and principles. This is one form of friendliness which people appreciate and endorse. The direct relation between cooperatives promotes genuine relationships for mutual benefit. As a

result of this endeavor price speculators have no chance to distort the market and create artificial shortages of agricultural products to maximize their own profit. The other aspect of cooperative friendliness is the advocacy of cooperatives to protect our planet from man-made pollution. It is well known that cooperatives are famous and pragmatic in terms of creating renewable energy for better environment at the global level. Global warming and other man-made pollutions are against the interests of humanity. Cooperatives' voices are loud and being heard the world over. Therefore, all articles in the Proclamation are cooperative friendly than not which means the legal framework creates conducive environment for cooperative development in the country. Therefore, we rate the legal framework as "cooperative friendly".

4. Recommendation

Increasing and strengthening cooperation creates enabling environment where services could be diversified. Service diversification may pave the way to widen cooperative networks to achieve economies of scale. In networks where cooperation among cooperatives is more systematic, mutual guarantee systems can be developed. Bad governance and poor management could be mitigated through increased cooperation.

Cooperatives play a pivotal role in providing services in agriculture, financial, housing and consumer cooperatives to their members who would otherwise have no access to affordable means in both rural and urban areas. Global market fierce competition, together with technological advancement has jeopardized the competitive advantages of cooperatives. Automaton of members' service and the ability to provide them over the interest are eroding the cooperative advantage. In this regard, the cooperative movement must be dynamic and responsive to global changes in order to remain relevant and competitive. This can be done through innovative use of ICT, entrepreneurial practices, enhanced cooperative training and education and professional management of cooperatives.

Secondly, as it has been stipulated in the Proclamation, a number of articles are supposed to have detailed clarifications by issuing regulations, rules and directives. These three documents are very essential to easily capture and apply the Proclamation. The delay in issuing these documents has hampered the development of cooperatives in certain way. Moreover, the country needs a

cooperative development policy in order to provide a basis for more a more effective and efficient system of regulation and management of cooperatives.

5. Conclusion

An autonomous, self- reliant and self-sustaining cooperative movement can play a major role in the socio economic and cultural development of any nation, when a conducive environment is in place. It has been historically proven that cooperatives play a significant role in eradicating poverty through job creation income generation, resource mobilization and broad-based economic empowerment of men and women. For developing countries like Ethiopia, it is highly critical to do all the best that we have to realize equitable development, harmonize nature and man, create peace, ensure sustainability and narrow the gap between the rich and poor. Cooperative policy, Cooperative Proclamations, and other legal documents are one the means to actualize the vision of the cooperative movement so as to enable it stand in its own feet and meet the fulfill the needs of all cooperators. The legal framework on cooperatives in Ethiopia is more cooperative friendly than not as it creates the necessary conditions for cooperatives to thrive.

The legal frameworks analysis is a tool developed under the ICA-EU Partnership #coops4dev. It is an overview of the national legal frameworks at the time of writing. The views expressed within this report are not necessarily those of the ICA, nor does a reference to any specific content constitute an explicit endorsement or recommendation by the ICA.

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