Good Governance Practice for Cooperative Development in Ethiopia! How it Works?

By

Dayanandan & Dagnachew

Hawassa University
Background & Rationale

- Cooperative model enable the people to reach their personal and community development goals
- Cooperatives are the agents of socio-economic change, and vibrant civil society actors
- Good performance of cooperatives depends on good governance practice
- Millennium Declaration recognizes good governance as a prerequisite to achieve the MDGs
- Pillars of good governance - Participation, Accountability, Transparency, Predictability and Rule of law
- Good governance emerges through honest application of laws and respecting the law (Imran, 2009).
Background & Rationale

• In Halaba special Woreda, primary cooperatives provide quality supplies and services - inputs, milling service and storage facility etc.

• However, cooperatives face governance problems due to partiality, mismanagement by officials, lack of clear hiring and dismissal of staffs, theft of resources, conflict of interest among cooperative officials, lack of accountability among leaders and members (Remato’s report, 2011).

• Poor governance leads to malfunctioning of the cooperative societies.

• Hence this paper investigate the reasons & the factors hinders good governance practice
Objectives

• To understand the level of awareness on good governance practice among the cooperative members in the study area.

• To assess the practices of good governance in the selected primary cooperatives.

• To examine the impact of good governance practice on the performance of primary cooperatives.

• To identify the factors that hinder good governance practice in the sample cooperatives
Methodology

- Primarily it is an empirical study based on primary as well as secondary data.
- To collect the primary data, structured interview schedule (SIS) was prepared, pre-tested and fine tuned.
- Five point Likerts’ Scale was used to collect the qualitative data
- Besides, focus group discussion and key informant interview also been conducted for eliciting relevant information.
SAMPLING FRAMEWORK – Multistage sampling

1st Stage
Halaba special woreda from SNNPR

Highest Number of Cooperatives

2nd Stage
2 from 8 type of Cooperatives
Based on seniority of establishment

Purposive sampling

3rd Stage
Out of 1627 members registered
16 cooperatives = 125

Carvalo (1984)

Proportionate Random sampling

4th Stage
To identify the sample members
Data Analysis

• Statistical Package for Social Sciences (SPSS version 20) was used for Analysis.

• Simple tools like percentages, averages & chi-square test were used for analysis and interpretation of data.

• Binary Logistic Regression model was adopted to find the impact of governance practice on cooperative performance

• Dependent variable – Cooperative performance

• Explanatory variables
  – Accountability
  – Transparency
  – Prediction
  – Rule of law
  – Participation
Members’ Participation in Governance

**Dimensions of participation**

- **Constitution of cooperatives**
  - Membership,
  - Area of operation,
  - Liability

- **Management and administration**
  - Participation in the general assembly meetings,
  - Participation in board meetings as a member of the management committee,
  - Participation in decision making,
  - Participation in voting
  - Engaging business activities
Members’ Participation in Governance

(i) Attendance in general Meeting - last two years

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Regular</th>
<th>Irregular</th>
<th>Not at all</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance of General assembly meetings</td>
<td>50 (40.0)</td>
<td>55 (44.0)</td>
<td>20 (16.0)</td>
<td>125 (100)</td>
</tr>
<tr>
<td>Participation of members in the business activities</td>
<td>46 (36.80)</td>
<td>54 (43.20)</td>
<td>25 (20.0)</td>
<td>125 (100)</td>
</tr>
</tbody>
</table>

- Thin participation leads to ‘hitch-hike effect’
- 48.7% reported that there is no annual meeting

(ii) Democratic Governance in Cooperatives
- Members contact,
- Providing information to the members
- Providing members’ education

Majority (60.8%) of respondents has negative opinion

It is the clear indication of poor governance.
(2) Members’ Prediction, Effectiveness & Efficiency

(i) Members’ Prediction
- Not having business plan (40.8%)
- 34.4% don’t have knowledge on business plan.

(ii) Effectiveness & efficiency in resource utilization
- Lack of effectiveness and efficiency in resource utilization (62.4%)

(iii) Effectiveness & efficiency in fulfilling members’ interest
- Rated low by 47.2% of the respondents
- Rates medium by 30.4% respondents

It is the clear indication of poor governance
(3) Awareness and opinion on cooperative law

- (i) Awareness on cooperative laws
  - Not having awareness (55.2%)

- (ii) Opinion on cooperative by-laws
  - Needs amendments (51.2%)

- (iii) Awareness on cooperative governance practice

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Very High</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of awareness on good governance practices</td>
<td>20 (16.0)</td>
<td>08 (6.4)</td>
<td>25 (20.0)</td>
<td>45 (36.0)</td>
<td>27 (21.6)</td>
</tr>
</tbody>
</table>

- (iv) Awareness on cooperative values and principles
  - Not having awareness (57.6%)

- (v) Practice of Corruption
  - Majority (64.8%) agreed
  - Erodes legitimacy and subverts the rule of law

It is the clear indication of poor governance
(4) Accountability

- (i) Good Governance Ethics
  - Low and very low (55.2%)

- (ii) Responsiveness

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Very quick</th>
<th>Quick</th>
<th>Very slow</th>
<th>Slow</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The speed of response from board members to the members.</td>
<td>09 (7.20)</td>
<td>33 (26.40)</td>
<td>23 (18.40)</td>
<td>40 (32.0)</td>
<td>20 (16.0)</td>
</tr>
<tr>
<td>The speed of response from the members to the Board.</td>
<td>12 (9.60)</td>
<td>36 (28.80)</td>
<td>53 (42.40)</td>
<td>22 (17.60)</td>
<td>02 (1.60)</td>
</tr>
</tbody>
</table>

- (iii) Awareness on Duties and Responsibilities

<table>
<thead>
<tr>
<th>No</th>
<th>Particulars</th>
<th>Yes</th>
<th>No</th>
<th>No idea</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Board members awareness on their duties and responsibilities.</td>
<td>34 (27.2)</td>
<td>51 (40.8)</td>
<td>40 (32.0)</td>
<td>125 (100)</td>
</tr>
<tr>
<td>2</td>
<td>Members’ awareness on rights and duties in their cooperative.</td>
<td>37 (29.6)</td>
<td>52 (41.6)</td>
<td>36 (28.8)</td>
<td>125 (100)</td>
</tr>
</tbody>
</table>

It is the clear indication of poor governance
(5) Transparency

- (i) Transparency among Cooperative Board & members

<table>
<thead>
<tr>
<th>No</th>
<th>Particulars</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Board members transparency to members and the public.</td>
<td>Yes: 48 (38.4)</td>
</tr>
<tr>
<td>2</td>
<td>Members’ transparency to their own cooperative society.</td>
<td>Yes: 42 (33.6)</td>
</tr>
</tbody>
</table>

- (ii) Members, Sub-committees and Board - Relation

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very strong</td>
</tr>
<tr>
<td>Extent of members, board and subcommittee relationship.</td>
<td>05 (4.0)</td>
</tr>
</tbody>
</table>

It is the clear indication of poor governance
Impact of Governance Practice on Performance of Cooperatives

• **Binary Logistic Regression Analysis Results**

• Out of the five variables (Accountability, Transparency, Prediction, Rule of Law and Participation) hypothesized, four were found to be significant at 95% confidence interval.

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>SE</th>
<th>P-value</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>1.978</td>
<td>0.926</td>
<td>0.033</td>
<td>7.226</td>
</tr>
<tr>
<td>Transparency</td>
<td>1.455</td>
<td>0.677</td>
<td>0.032</td>
<td>4.285</td>
</tr>
<tr>
<td>Prediction</td>
<td>0.004</td>
<td>1.040</td>
<td>0.997</td>
<td>1.004</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>1.850</td>
<td>0.930</td>
<td>0.047</td>
<td>6.358</td>
</tr>
<tr>
<td>Participation</td>
<td>2.523</td>
<td>0.851</td>
<td>0.003</td>
<td>12.468</td>
</tr>
<tr>
<td>Constant</td>
<td>-15.300</td>
<td>3.581</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

• They are (i) Accountability, (ii) Transparency, (iii) Rule of Law and (iv) Participation
### Factors Hindering Good Governance Practice

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Ranking order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of participation</td>
<td>118 (94.40)</td>
<td>1</td>
</tr>
<tr>
<td>Lack of accountability</td>
<td>116 (92.80)</td>
<td>2</td>
</tr>
<tr>
<td>Lack of transparency</td>
<td>113 (90.40)</td>
<td>3</td>
</tr>
<tr>
<td>Corruption</td>
<td>112 (89.60)</td>
<td>4</td>
</tr>
<tr>
<td>Educational level</td>
<td>108 (86.40)</td>
<td>5</td>
</tr>
<tr>
<td>Poor responsiveness</td>
<td>108 (86.40)</td>
<td>5</td>
</tr>
<tr>
<td>Poor sense of ownership</td>
<td>108 (86.40)</td>
<td>5</td>
</tr>
<tr>
<td>Lack of cooperative democracy</td>
<td>97 (77.60)</td>
<td>6</td>
</tr>
<tr>
<td>Board-member relation</td>
<td>96 (77.80)</td>
<td>7</td>
</tr>
<tr>
<td>Lack of consensus</td>
<td>96 (77.80)</td>
<td>7</td>
</tr>
<tr>
<td>Double responsibility</td>
<td>96 (77.80)</td>
<td>7</td>
</tr>
<tr>
<td>Term and tenure</td>
<td>85 (68.0)</td>
<td>8</td>
</tr>
<tr>
<td>Poor responsiveness</td>
<td>85 (68.0)</td>
<td>8</td>
</tr>
<tr>
<td>Members age</td>
<td>74 (59.20)</td>
<td>9</td>
</tr>
<tr>
<td>Cooperatives bylaw</td>
<td>73 (58.40)</td>
<td>10</td>
</tr>
</tbody>
</table>
Conclusion

• Good governance is essential for sustainability of cooperatives:
  – to prevent fraud and mismanagement,
  – promote sound decision-making,
  – avoid costly fines,
  – create/maintain a positive image,
  – attract and retain financing and investment.
  – Attract new members and retain the existing

• However such practice is lacking in the sample cooperatives of Halaba woreda

• Which needs immediate attention for service delivery and sustainability of cooperatives
Recommendations

• Well programmed and continuous cooperative education.
• Aware on cooperative culture and ethics to maintain good governance
• Service rendered by cooperatives throughout the year to maintain the membership participation
• Regular patronage refund and dividend to maintain loyalty in cooperatives.
• Due attention to aware the by-laws and make available the copy of the document on the hands of each members
• Diversification of services by the cooperatives to encourage existing members, and pull new membership
• Collaborative and deliberate action of both members and government
Thanks for Your
Attention