

Issues and trends in cooperative reforms in Africa

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“Cooperative societies bring forth the best capacities, the best influences of the individual for the benefit of the whole, while the good influences of the many aid the individual”

Introduction

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others. They adhere to a code of practice enshrined in the Universal Cooperative Principles (*Open and Voluntary membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence, Education, Training and Information; Cooperation among Cooperatives and Concern for the Community*).

Cooperatives are found in practically all countries of the world, covering almost all the major sectors – including agriculture, forestry, fishery, finance (banking, microfinance and insurance), electricity (generation and supply), construction, mining housing, transport, manufacturing, trade and a wide range of social services

Cooperatives have unique advantages based on the special relationship they have with their members. They have the power to bulk up demand and purchase supply at cheaper prices than their competitors..

Cooperatives as Public vs Private Entities

In many countries private individuals wishing to form cooperatives may do so without necessarily seeking official advice from the cooperative office which is a public office. In such situation, and when cooperatives formed this way flourish, the idea of treating cooperatives as private entities may prevail. Where cooperatives can register as both cooperatives and as private companies, the idea may even be more entrenched.

Cooperation is not starry-eyed philanthropy. Since its foundation, the cooperative institution has struggled to economically and socially advance its members. Cooperatives belong to their members and they are thus private entities although they subscribe to the principle of voluntary and open membership

Cooperatives and other business enterprises

The difference between a company and a co-operative can be explained in the following chart:

A COMPANY	A CO-OPERATIVE
<p>A company is basically geared towards making profit for its owners. People invest in companies by buying shares. The better the company performs the more valuable the shares become and they can be sold when the investor wants to cash in on their increased value. While you hold those shares you share in the profits the company makes. The more shares you have, the greater the share of the profits you receive.</p> <p>Also The control of the company goes to the people who have put the most money in. Usually you can buy as many shares as you can afford and each share that you buy gives you more voting power. This means you have more control over who gets into the Board or directors and therefore over the policies and directions of the company. If, for example, you own 51 percent of the shares in the company you will control it because you will have 51 percent of the votes!</p>	<p>Co-operatives are not set up to make money for investors but to provide benefits for their members equally. A number of practical mechanisms exist in co-operatives to ensure that they truly serve the interests of all their members and not just the wealthy ones.</p> <ul style="list-style-type: none"> • The shares are seen as an investment. The shares do not grow in value as the co-operative gets bigger and they are not bought and sold easily like in a company • The profits from the business's activities are shared according to how much use a member makes of the co-operative rather than how much money he or she has invested in it • Control is exercised democratically. In other words in primary co-operatives, decisions (like electing the committee) and making other important decisions are made on the principle of one-member one-vote.

The global picture

Figures that speak for themselves:

<ul style="list-style-type: none"> • Over 800 million people around the world are cooperative members • Cooperatives employ over one hundred million people around the world • The livelihoods of over 3 billion people (almost half the world's population) is made secure by cooperative enterprises

COUNTRY	MEMBERSHIP
<ul style="list-style-type: none"> • India • China • United Kingdom • Argentina • Brazil 5.7 million • Malaysia • Canada, Honduras and Norway • Singapore and the United States • Kenya 	<p>236 million</p> <p>180 million</p> <p>9.8 million</p> <p>9.1 million</p> <p>5.7 million</p> <p>5.4 million</p> <p>1 in 3 people is a cooperative member</p> <p>1 in 4 people is a cooperative member</p> <p>1 in 5 people is a cooperative member</p>

Cooperatives in Africa

A sad historical past

In Africa cooperatives have gone through various phases: pre-colonial, colonial, post-colonial (independence) and post liberalization. In the last two phases cooperatives in Africa, as indeed in many developing countries, were not truly autonomous and member-driven, but instead were dominated and, sometimes, controlled by government. They were, in many cases, instruments of government policies rather than vehicles for serving their members' needs. Concurrently with government control were special "favours" extended to the cooperative movement - including monopolies over the handling of all the export crops - cotton, coffee, cocoa, tobacco, pyrethrum, as well as some of the major food crops such as maize. They also enjoyed subsidies and, in some cases, tax exemption - privileges that tended to enhance their complacency with the status quo, leading to a "handout mentality" rather than one of collective self-help.

In countries that had embraced socialist policies such as Ethiopia, Tanzania and Zambia cooperatives became organs of the ruling political party and were used as political instruments, often receiving orders from government or the party that had nothing to do with the objectives for which the cooperative was formed. In one extreme case, agricultural cooperatives were altogether banned because they became more popular than the ruling party, only to be reinstated several years later after agricultural production and marketing had become severely compromised. The effect of excessive government control and political interference in cooperatives has had a devastating effect on members morale and their faith in cooperatives.

The advent and impact of liberalization

With the adoption of liberalization policies in the last decades of the twentieth century cooperatives were faced with a complex set of challenges brought

about by the economic, social and political changes resulting from democratization, decentralization, globalization and adjustment. The effects of these changes on cooperatives were many and varied from country to country and from one type of cooperative to another, but they shared a common history of state control

The exposure of state-protected "cooperative" monopolies to the competition of the market usually dramatically reduced the market share of these cooperatives and led to their disintegration. On the other hand, strong, viable, autonomous cooperatives that have adapted successfully play an important role in promoting economic and social development through serving the interests of their members and of their communities. Indeed, the global changes of the past two decades may, in the long run, have created the conditions for the emergence of a strong, dynamic, autonomous, member-controlled, genuine cooperative movement. Whether one regards the global changes of the two decades in a favourable or unfavourable light, co-operators have been wise in adopting a pragmatic approach in order to ensure that cooperatives survive the transition period, maintain their cooperative identity and develop management strategies enabling them to meet the challenges posed by increasingly competitive markets.

Cooperative reforms and the role of Government

In recent years cooperatives in many African countries have undergone major reforms in order to cope with change. With the help of the ILO existing cooperative development policies and laws in many African countries have undergone drastic revisions and where none existed new ones have been formulated, all this with the intention of creating a favourable environment in which cooperatives can thrive. So too have cooperative society by-laws been revised in order to harmonize them with the revised or new policies. The new policies and laws are constantly being fine-tuned to enable cooperatives respond effectively to current changes. These changes have drastically reduced control of government over cooperatives, with the principle of cooperative autonomy and independence being underscored.

In some countries this autonomy has been carried a step farther by transferring the responsibility of cooperative development from the government structure to autonomous cooperative development agencies. The idea is not altogether new in Sub-Saharan Africa; Liberia's Cooperative Development Agency existed before the crisis there. In the era preceding the crisis in Somalia the Union of Somali Cooperative Movement had full mandate for promoting cooperatives. More recently the Government of Ethiopia has transferred all responsibilities for cooperative promotion to the Federal Cooperative Agency. Tanzania's Ministry of Agriculture, Food Security and Cooperatives is in the process of transferring its full cooperative development mandate to an autonomous Cooperative Development Commission. To some degree the South African Department of Trade and

Industry (the government institution responsible for cooperative development) has shared some of its cooperative promotion responsibilities with other autonomous agencies - including NGOs. It is hoped that in the years ahead this trend will be replicated in other countries as a means of enhancing cooperative autonomy. It must be stressed that to be truly autonomous the emerging cooperative development agencies must be sufficiently constituted with appropriate cooperative representation.

Receding of government control however has not meant dissociation with government - in particular those countries which have not yet introduced autonomous cooperative development agencies as in the examples given above. Indeed the role of government in promoting cooperatives remains critical for the success of the cooperative movement. But this is not a contradiction; government has a responsibility to promote cooperatives as part of its duty to accelerate development. It must be remembered that most of the cooperatives in Africa are in the rural areas which are not suitably served by public or private service providers. They play a key role not only in the supply of inputs and services related to marketing, but are also involved in improving food security and work towards reducing poverty. Support services by government are therefore justified, especially in areas such as education and training, technical and advisory services, management consultancy as well as legal and audit services as well as loan guarantees (where appropriate are among such services. But support services are not and should not necessarily be synonymous with control.

Current and future challenges

The increasingly competitive environment has required enterprises and organizations of all types, both in the commercial and non-commercial spheres, to develop their capacity to continually re-invent themselves and offer new goods and better services. Otherwise, their chances of maintaining and increasing their share of the market are limited. This axiom is true also for cooperatives, often functioning in a tough business environment where previous state-maintained protection no longer applies. It is in this context that cooperative entrepreneurship is a key concept in enabling cooperatives to successfully meet these challenges. Moving away from the narrow, traditional view of entrepreneurship which focuses on the individually-owned business enterprise, entrepreneurship can be seen today as a set of aptitudes and competencies required by people generally, in their working life and outside it. Cooperatives have a great deal to gain by examining how an injection of entrepreneurial attitudes and approaches can help them achieve their goals and objectives. Cooperative leaders and managers need to shed bureaucratic modes of operation and adopt entrepreneurial approaches if they are to effectively function in a competitive market and serve the interests of cooperative members.

A few examples of cooperative success

Benin:

FECECAM, a savings and credit cooperative federation has provided USD 16 million in rural loans

Cote d'Ivoire

Cooperatives have invested US\$ 26 million for setting up schools, building rural roads and establishing maternal clinics

Ethiopia:

1. Oromia Coffee Farmers Cooperative Union has, among other things
 - improved the living conditions of its members by providing by providing services that have helped improve farm production
 - accessed markets for members produce
 - vigorously promoted organic coffee farming that has added value to members produce
 - negotiated fair trade deals with coffee buyers in the EU
 - opened up coffee shops in Europe and North America
2. In less than four years the Oromia Cooperative Bank has grown in strength with nearly 20 branches doing brisk business in various parts of the region.

Kenya:

- About 20 million Kenyans directly or indirectly derive their livelihoods from the cooperative movement.
- Cooperatives are responsible for 45% of the GDP and 31% of national savings and deposits. They have 70% of the coffee market, 75% dairy, 90% pyrethrum and 90% cotton.
- The Cooperative Bank of Kenya is among the strongest financial institutions in the country
- National Cooperative Housing Union has helped provide decent shelter to hundreds of low income members
- Harambee Savings and Credit Cooperative Society with 84,000 members is the largest savings and credit cooperatives on the African continent.

Tanzania:

1. The Kilimanjaro Native Cooperative Union – KNCU (the oldest cooperative union in Africa) has taken the following initiatives:
 - supporting the education of its members' children by paying school fees for 200 of them
 - introducing health insurance scheme for its members
 - promoted organic and other improved methods of coffee farming that, together with fair trade initiatives, have raised the incomes of its members and contributed significantly towards poverty reduction
 - helping improve efficiency in the performance of cooperatives by

initiating an intensive programme of training in quality management system for its affiliates.

2. Nronga Women's Dairy Cooperative Society in Kilimanjaro region has provided employment to its members by producing quality milk and adding value to the product by producing butter and cheese that has raised the incomes of their members and improved living conditions.

Uganda

The Youth Programme initiated by the Uganda Cooperative Alliance has

- helped create 9,848 youth enterprises
- empowered youth in accessing and participating in markets
- strengthened the organizational capacity of youth
- mainstreamed cross-cutting issues with special focus on HIV/AIDS.

ILO's Cooperative Facility for Africa is very conscious of these challenges, hence its dedication to help improve the governance and efficiency in the performance of cooperatives in order to strengthen their capacity to compete effectively on the market, thus enhancing their capacity to create jobs, generate income, reduce poverty, provide protection and give people a voice in civil society.