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Bernd Harms, Adelheid Kückelhaus (eds.)

# Co-operative Development and Adjustment in Anglophone Africa

Proceedings of an International Conference  
held from June 24 to 28th, 1996, at Diessen, Germany



ILO/DANIDA Programmes  
COOPNET and COOPREFORM



International Co-operative  
Alliance

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Alliance

International Conference

## Co-operative Development and Adjustment in Anglophone Africa

(IT 713-316-96)

held at "Seminar für Führungskräfte", Diessen, Germany

June 24 to 28th, 1996

## PROCEEDINGS

Edited by Bernd Harms and Adelheid Kückelhaus

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## PREFACE

Co-operatives have been playing a vital role in the development process of African countries. In many cases they had been instrumentalised by governments to control foreign exchange earning agricultural commodities. At the same time they offered a rather stable framework for members providing them with a variety of services. With liberalisation in the wake of Structural Adjustment Policies (SAP) these conditions are drastically changing. Co-operative organisations are facing enormous challenges in the new competitive environment; on the other hand there is increasing need for genuine co-operative action based on members' needs. The rapid changes provoke a continuous quest for reorientation and action at all levels of the co-operative movement.

It is against this background that the Food and Agriculture Development Centre of the German Foundation for International Development (DSE-ZEL), in co-operation with the International Co-operative Alliance (ICA) and the International Labour Office/DANIDA Programmes COOPNET and COOPREFORM has undertaken the task to organise a conference on "Co-operative Development and Adjustment in Anglophone Africa" which joined some 50 high-level participants from African co-operative movements, government organisations, co-operative Human Resource Development institutions as well as representatives of international organisations and other experts. The conference took place in Diessen near Munich in June, 1996. It aimed at analysing current trends of SAPs, their impacts on co-operative organisations (with an emphasis on rural-based co-ops) and at elaborating strategies of how to cope with the mentioned challenges. It provided a forum for an open and self-critical exchange of experiences and networking.

The present report compiles the papers which participants contributed to the conference as well as the results and recommendations elaborated in working group and plenary discussions. It contains a wealth of experiences and will hopefully contribute to facilitate the on-going process of reflection and reorientation which is taking place within and outside the co-operative movement in Africa. The yardstick for success of this process are the living conditions which poor men and women will be able to achieve by organising in co-operatives and other self-help organisations.

The organisers and editors would like to express their sincere thanks to all those who contributed to this report. Comments are welcome.



Erhard Krüsken  
Director, DSE-ZEL



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# 1. INTRODUCTION

## 1.1 BACKGROUND

The economies of many African countries today are subject to adjustment programmes with the emphasis on market oriented reforms. The involvement of governments in the national economies has been critical and, as a result, they are called upon to intervene less and to let markets work. These changes present opportunities for development through free entrepreneurship. However, they have often brought hardship to the poorest strata of the populations, and their impact on small producers seems not always to be positive, at least in the short run.

Liberalisation, deregulation, and privatisation in the wake of adjustment policies are also substantially affecting the co-operative sector which was formerly in most cases state-controlled. Government subsidies and protection are being drastically reduced, and co-operative organisations have to face the challenge of surviving in competitive markets and power play conditions. On the other hand, particularly poor and middle class people - including an increasing number of women - see new needs and opportunities for organised self-help to jointly defend their interests in a free market economy. Consequently, there is an upsurge of newly formed associations and co-operatives while older structures are seriously in danger of breaking down.

In this context, a number of interesting questions arise, e.g.:

- What are really the impacts of adjustment policies on co-operative organisations?
- What are the role, potential and constraints of co-operatives and other self-help organisations: how can they serve their members' interests under these new conditions?
- Which strategies should they pursue in order to become a viable, dynamic sector in the economy?
- In consequence, what framework conditions should be provided by outside actors in order to help co-operative organisations fulfil their functions?

Against this background, the German Foundation for International Development (DSE), in collaboration with the ILO/DANIDA Programmes COOPNET and COOPREFORM and the International Co-operative Alliance (ICA) decided to organise an International Conference to provide a forum for discussing these issues and for elaborating strategies of reorientation for the co-operative movement as well as for external actors.

## 1.2 OBJECTIVES

In providing a forum for a constructive dialogue among various actors from selected countries the International Conference intended:

- to support a reorientation of co-operative organisations to effectively serve their members in a changing environment, and
- to sensitise decision-makers of governments, NGOs and donor organisations on the role and potential of co-operatives in development and in the process of adjustment.

## 1.3 EXPECTED OUTCOME

The expected outcome of the conference comprised:

- a clear understanding of adjustment policies and their political dimensions,
- an exchange of experience among the participants concerning the status of adjustment and its impact on co-operative organisations,
- an analysis of current reaction strategies of co-operative organisations in the region, including examples of how to cope successfully with these challenges, and
- the definition of strategies for future actions concerning:
  - internal development of the co-operative organisations,
  - government, NGO and donor policies to provide suitable framework conditions for co-operative development.

It was hoped that the outcome of the conference would contribute towards the overall development goal of co-operative self-help in African societies which is an improved standard of living of low-income groups of the population.

The results of the Conference were to be presented at the ICA African Regional Assembly, August, 1996 at Dakar.

## 1.4 PARTICIPANTS

Participants included about 50 persons from Canada, Ethiopia, The Gambia, Germany, Ghana, Kenya, Lesotho, Malawi, South Africa, Swaziland, Sweden, Tanzania, Uganda, Zambia and Zimbabwe, as well as representatives from ILO and ICA.



They were

- executives of co-operative organisations at various levels,
- *political decision-makers who bear responsibility for privatisation and rural development,*
- representatives of co-operative institutions involved in "Human Resource Development" (HRD),
- representatives of international or national promotion organisations,
- experts with in-depth knowledge of the subject matter.

A detailed list of participants is provided in Annex II.

## 1.5 METHODOLOGY

The conference was organised in the style of a workshop. The major topics were introduced by short keynote papers, followed by moderated working groups on special subjects, and plenary discussions, supported by techniques of mobile visualisation. Participants were invited to contribute to the working groups with short papers on interesting issues of co-operative development and adjustment in their countries.

In order to achieve the intended results through a continuous ex-change of experience from all participants the active participation through out the conference was essential. The Steering Committee composed of elected participants and representatives of the organising institutions ensured the feedback of the conference deliberations and also a continuous monitoring and evaluation. In addition, participants elected a Drafting Committee to elaborate recommendations on the basis of plenary and working group sessions.

The results of the conference were documented in a photo-report, the summary report and recommendations of the Drafting Committee, and this comprehensive report which comprises all presentations and contributions made during the conference.

## 2. SUMMARY OF PROCEEDINGS AND DELIBERATIONS

Conference participants were welcomed by Mr. Folz, Bavarian Co-operative Federation, Mr. Kirsch, Mayor of Diessen, and Dr. Weidinger, Bavarian Ministry of Food, Agriculture and Forestry.

The Conference was officially opened by the representatives of the three organising institutions DSE (Dr. Krüsken), ICA (Mr. Imbsen), and ILO (Mr. Fazzio).

Dr. Krüsken referred to the drastic changes in the framework of co-operative development in Africa resulting in new opportunities and chances for co-operatives to become more member-oriented. In particular, he invited participants to discuss how women's concerns can be taken up more actively by co-operative movements.

Mr. Imbsen expressed ICA's satisfaction with the close collaboration between DSE, ILO and ICA. He emphasised that in the whole process of adjustment co-operatives mainly have to self-adjust.

The reflection and policy reformulation process does not only concern co-operatives and national policy makers, but also the donor community, as Mr. Fazio explained. ILO, too, has been obliged to rethink the strategies, priorities and technical co-operation programmes on how to create a favourable climate and conditions of co-operative development.

The conference then started with a general look at the concept, implementation and impact of adjustment policies in Anglophone Africa (Dr. C. Musumali). Their specific impact on co-operative organisations was analysed as both positive and negative. Co-operative organisations are forced to replace or reform the former often government controlled structures. Today, it is recognised that this process has to be based on member orientation and management efficiency (Jürgen Schwettmann).

Specific experiences of co-operative movements with adjustment programmes in Zambia (Grieve Sibale), Kenya (Paul Kere), Tanzania (Presley Tarimo), and Zimbabwe (Albert Vingwe) completed the first part of the conference.

With regard to the second topic of the conference views from Germany (Prof. Hans Münkner) and from Africa (Suleman Chambo) dealt with the role, potentials, and constraints of co-operative organisations in the context of the reorientation process of co-operatives.

Participants were also familiarised with the audit system of co-operatives in Germany (Dr. Paul Armbruster).

Then, four working groups were formed to discuss and exchange experiences on the following subjects:

- A. Adjustment programmes, transparent markets and co-operative organisations;
- B. Adjustment of co-operative structures and activities to member needs;
- C. Organisation of sustainable co-operative training, counselling and auditing services, and
- D. Generation of and access to financial resources.

A proposed working group on "Gender and co-operative organisations" was not formed as participants felt that this aspect was of interest to all groups and should not be dealt with separately.

All groups analysed the impacts of adjustment, reaction of co-operative organisations, and necessary changes of co-operative goals, strategies, structures and performance.

### **Topic I: Impact of Adjustment Policies on Co-operative Organisations**

Adjustment programmes have had positive and negative impacts on co-operative organisations and their members. The deregulation of interest rates, liberalisation of trade and foreign exchange regimes have widened the access to markets for members. The direct participation in markets and added value of processed produce are possibilities to increase the earnings of members. Co-operative organisations are now able to earn foreign exchange and, hence, have access to the importation of production inputs, equipment etc.

Adjustment programmes have to some extent provided a better environment for co-operative development through renewed legal instruments which provide a chance for member oriented co-operative organisations. As a result of competition many co-operative organisations have been forced to be creative, innovative and have hence devised survival and sustainability mechanisms.

Adjustment programmes have mostly reduced or abolished government protection and subsidies. These measures have resulted in higher costs of inputs, reduced services such as education and training to members and staff, and reduced access to credit to both members and societies. Co-operative organisations have been forced to retrench some of their staff and hence created unemployment. Tax privileges previously enjoyed by co-operatives have been reduced if not been abolished at all.

Co-operatives were forced to restructure and often sold some of their assets in order to meet their obligations to members and creditors, especially with dwindling support from governments and donors alike. These negative effects have weakened many movements to the extent that members' loyalty for these former structures are at stake.

### **Topic II: Reactions of Co-operative Organisations**

The reactions of co-operative organisations are closely linked to the positive and negative impacts of adjustment policies outlined above. Co-operatives have had to adjust to meet the challenges of the new environment. A reassessment of members' needs and interests has taken place to ensure that co-operative activities are geared

to satisfy them. Co-operatives have seen the need to review the existing structures, personnel policies including retrenchment of excess staff where necessary, introduce more transparent transactions, redefine their relationship with the state related institutions and donors. One can observe a move to establish small co-operative organisations; and a breakdown of top-headed secondary and tertiary structures.

The need for increased capital and new economic ventures in order to service the members have become desirable. The need to encourage local savings and credit societies has been recognised as an essential step in raising cheap capital rather than rely on commercial banks which are withdrawing services from rural areas not attractive enough for their business.

***Necessary Changes of Co-operative Goals, Strategies, Structure and Performance***

The main objective to attain is that co-operative organisations are member-driven and optimise their support to members by either rendering direct services or by facilitating the access to services. In order to meet the new challenges of the environment, a restructuring of co-operative organisations is needed. It has been recognised that women should be better integrated in co-operatives and pressure exercised to review legal aspects related to customs which suppress women participation.

Co-operative organisations have to increase members' participation by improved communication systems between management and members, and also to improve the internal control and audit of their activities to increase transparency and confidence of their members.

Maximum mobilisation of internal resources, increased productivity through cost efficiency, as well as diversification of services are among the necessary changes to be undertaken by co-operative organisations.

The co-operative structures must be built from grassroots level so that they are based on member needs and interests rather than imposed from above.

Taking all the above said into consideration, co-operatives will have improved operational systems, improved financial disposition and consequently will become efficient business organisations serving their members.

**Topic III: The creation of favourable framework conditions for co-operative development.**

Initially, the report of the ICA Ministerial Conference in Mauritius was presented (Vincent Lubasi). This intervention was followed by the country case study on Ghana

co-operatives and structural adjustment (Robert Buachie-Aphram) describing the impacts of one of the eldest adjustment programmes on co-operatives. The Swedish Co-operative Centre has adopted a new strategy to best contribute to sustainable co-operative development (Karl-Johan Fogelström). Its approach is mainly based on the change from support through governments to direct support to the co-operatives.

The plenary then split up again into working groups to discuss and exchange experiences on necessary changes of political, administrative and legal conditions to facilitate co-operative development.

### ***Political Changes***

With regard to political changes a clear policy has to be articulated which provides a favourable climate for the development of co-operative organisations. Such policy should cover the provision of an enabling legal environment, equal treatment of co-operatives with respect to competitors, removal of barriers on operations and access to markets. The full participation of co-operative organisations in this process has to be ensured.

Operational activities have to be free from any undue political interference and it has to be accepted that co-operative organisations are part of the private world. Co-operatives should be free to lobby for their legitimate recognition, but should not expect to receive any preferential treatment.

### ***Administrative Changes***

Decentralisation and de-concentration of power and authority towards co-operative organisations from the centre to the local level is necessary for the ease of administration and supervision. In order to provide efficient support services, there is also the need to streamline government structures responsible for servicing co-operatives. In addition, co-operatives themselves need to streamline their structures for maximum efficiency.

### ***Legal Changes***

Realising that a number of African states have and are undergoing significant political, social and economic transformation, including structural adjustment, the conference prescribed the need to urgently review existing legislation to reflect both this new order as well as co-operative principles and values. Governments are called upon to only provide the general framework for co-operative development.

In an "Open Forum" Mr. Taimni of COOPNET (India) spoke about structural adjustment and co-operatives and lessons to be learnt from Asian countries.

The discussion of draft recommendations and the evaluation completed the conference on June 27, 1996. The conference, then, was officially closed by Mr. Wolimbwa, Chairman of the ICA-Regional Assembly for Africa.

On June 28 participants had the opportunity to obtain detailed information on the audit system of the Bavarian Co-operative Federation, through a conference by Mr. Seitz. Other participants visited several Bavarian co-operatives. In addition, they were welcomed at the Food and Agriculture Development Centre of DSE in Feldafing.



## 2. INAUGURAL ADDRESSES

### WELCOME ADDRESS

*By*

*Dr. E. Krüsken*

*Director, DSE Centre for Food and Agriculture Development,  
Feldafing und Zschortau/Germany*

Honourable Representatives of national governments and African co-operative organisations, dear colleagues from international and national partner organisations, dear experts on co-operative development, honourable guests, ladies and gentlemen:

On behalf of the President of the Board of Trustees and the Management of the German Foundation for International Development I take pleasure to extend our most cordial welcome to you on the occasion of this opening session of the International Conference on Co-operative Development and Adjustment in Anglophone Africa. I am very delighted to welcome such a numerous group of high-level participants from all over Africa, as well as from Europe and Canada, and I am pleased that almost all of those who were invited are now present at this session.

You can imagine that I would even feel much happier if I could have welcomed you today in our own Conference Centre which is situated only about 20 kms from here in an equally beautiful setting, at Feldafing. However, it was impossible to accommodate such a big group in our house, because at this time of the year, the number of participants of the conferences and training courses we are running, goes beyond our centre's capacity. But I trust that you feel very comfortable here at Dießen, and I am glad to know that you will pay us a short visit on Friday, and in that way come to know our centre at Feldafing and the DSE in general.

Moreover, I should say that this Seminar Centre here in Dießen is perhaps even better suited for this particular conference because it has been historically very closely linked with the German Co-operative Movement and has hosted many participants from the co-operative sector in Developing Countries for seminars and other international events. I said "historically" because the centre in spite of its very successful performance as a self-sustainable unit within the German Consumer Co-operative Organisation (CO-OP), was negatively affected by a big scandal which was caused by mismanagement on the top level of this organisation and led to the

breakdown of "CO-OP" just a few years ago. This centre was then taken over as a private limited liability company on its own risk by the former managers.

I mention this detail to show that also in Germany we are not free from problems in the co-operative movement, although it is a very successful, economically vibrant sector. I think that in co-operatives, just as in any other organisation, problems often have to do with the size and structure of an organisation and hence the possibility of control and influence the individual members have or don't have. They have to do with the motivation, capacities and the commitment of the members as well as the management, and they have to do with external influence and framework conditions - as you see, we are already entering the subject of this conference.

Ladies and Gentlemen,

You may have asked yourselves why DSE, an organisation perhaps formerly not known to many of you, is committing itself to prepare this event, in collaboration with our partners ICA and ILO. I heard that you were already introduced to DSE last night after your arrival, so I can be very brief. As you have come to know, we are a decentralised organisation sponsored by the German Federal Government and Federal State Governments, and our areas of mandate are dialogue and training in the field of international co-operation and development. The DSE Food and Agriculture Development Centre, which I am heading, covers a variety of subjects in the areas of rural development, management of natural resources, agricultural and livestock production as well as tropical forestry. We work in two different locations, because after the re-unification of Germany we integrated an already existing Agriculture Development Centre of the former socialist GDR. This centre at Zschortau near Leipzig in Saxony now hosts two of our four departments.

Why is DSE interested in co-operative development in Africa?

First of all, because organised self-help has proven in our own history and that of many nations to be an important means for poor people to overcome poverty. In DSE's Rural Development Department a large share of our activities is dedicated to dialogue and training in the areas of appropriate management of self-help organisations, participatory methods in self-help promotion and other related subjects.

In the past, we were actively involved in developing the concept of "Fighting Poverty through Self-help" which was amply discussed in a series of important international conferences and smaller meetings which we organised in close collaboration with the German Federal Ministry for Economic Co-operation and Development and all the important governmental and non-governmental co-operation agencies in Germany

and contributions by experts from all over the world. Therefore, we have reasons to be proud that the concept is now one of the three fundamental principles of German Development Co-operation, and the outcome of these events seems to have a certain impact in the daily work of many people in various organisations, hopefully increasing the possibilities for participation of poor people in the development process.

Apart from these more general conceptual debates DSE also organised a series of courses and seminars in various French-speaking West African Countries. This programme was called GACOPEA and was based on the same ideas like the AMSAC concept, which might be known to several of you. The main goal was to help introducing and supporting the idea of active member participation and member oriented management in the co-operative structures of francophone Africa. The programme was organised in collaboration with the FAO and the ICA Regional Office for West Africa and other local organisations. It lasted 10 years, until 1992 and involved many hundred people at all levels of co-operatives, governments and NGOs. As to the results and impact of these programmes, however, these were at the beginning very limited, in spite of the quality of the training and the motivation of many participants to apply the newly gained knowledge and attitudes. Limitations were faced due to the legal, administrative and other framework conditions prevailing in the system which prevented many co-operatives from functioning according to the co-operative principles.

With the advent of adjustment policies, however, this framework has drastically changed. Liberalisation, deregulation and reduction of government expenditure have become the order of the day. Without doubt, a new era for co-operative organisations in Africa has begun. I have the impression that this era - apart from the hardships which many individuals and organisations are presently suffering - will present many new opportunities for co-operatives and similar self-help organisations. Most probably, the need for member oriented approaches on all levels of management in the co-operative sector will become even more evident.

As I said, this is first of all an impression, and we realised that on behalf of the co-operative movement in Africa and on behalf of our partner organisations there is an urgent need to more carefully discuss the effects of adjustment and the new roles which in future will have to be played by the various actors involved.

This, ladies and gentlemen, is how the idea to hold this conference was born. I am aware that it is not the only one with regard to this subject, however I think it's the first time that people from such a variety of countries in Anglophone Africa and

experts of co-operative development from other countries are sitting together to discuss their very recent experiences on a broad area of subjects.

This event is complemented by another conference which will take place for francophone Africa on subjects related to co-operative Human Resource Development. The results of both conferences will form an important input for the 2nd African Regional Assembly of the ICA to be held in Dakar in August.

Conferences normally offer good opportunities for an exchange of experiences, and they generally result in recommendations to be followed up by various addressees. What we would like to invite you to is to make maximum use of this opportunity in order to get out something for your own practical work, something concrete which has a good chance of being implemented in your own organisations and to bring factual benefits to the men and women at the grassroots, as, ladies and gentlemen, this is not a diplomatic event where participants should argue about minute details in the wording of every phrase in the final document. It is neither an academic exercise where scientific papers are being presented mostly for the sake of academic advancement. We are here to solve practical problems and at the same time develop a perspective and strategies for further action. So please feel free to discuss openly, frankly and also self-critically, starting from the question: What can and shall I do to improve the situation?

And I have another personal request or rather a recommendation: As you may have noticed, the composition of participants is not very gender-balanced. In Africa as well as in Germany it seems that women are still very much underrepresented in top-level positions. The co-operative sector is no exception at all, in spite of the many contributions women make in the economy and particularly in agricultural production and marketing. I feel that it might be an interesting point to discuss how women's concerns can be taken up more actively by the co-operative movement. This has also to do with Structural Adjustment, as according to several studies, women and children world-wide are more negatively affected by adjustment than the rest of the society. Consequently, they organise in SHOs and might become a vigorous force within the co-operative movement. - I'm not asking you to forgive me for dropping this little hint- I just felt obliged to mention it. Even more so as it also applies to our own organisations in Europe and to DSE.

Before I finish I would like to extend a word of thanks to our international partner organisations, ILO and ICA: Without your active and competent co-operation it would have been impossible for DSE to prepare this conference. You have contributed greatly by identifying most of the participants and co-operating in the development of the programme. This was only possible through your experience, which you have

gathered over decades, and in particular your active network of knowledgeable people situated in the region.

Last but not least, I would like to thank all participants who are contributing with their vast experience and in particular those who took the trouble to prepare a written document to be presented in plenary and working group sessions. This will form the basis on which we will work, and will be a precondition for the success of this event.

Let me wish you now a very interesting, productive and enjoyable conference, the results of which will have a substantial impact on the future development of self-help in Africa, to the benefit of millions of poor people. Once again, welcome to Germany, and I wish you a pleasant stay!

Thank you!

## **INAUGURAL ADDRESS**

*By*

*Dr. Folz*

*President of the Board of Directors,  
Bavarian Co-operative Federation*

Dr. Folz welcomed the participants on behalf of his organisation, the Bavarian Co-operative Federation. He explained the history of the Bavarian Co-operative Movement and the important role it still plays today, especially in agriculture.

## **INAUGURAL ADDRESS**

*By*

*Mr. Kirsch*

*Mayor of Diessen*

The Mayor of Diessen, Mr. Kirsch, introduced the city of Diessen. He hoped that besides attending the conference, participants would find the time to walk around the beautiful city and its surroundings.

## INAUGURAL ADDRESS

*By*

*Dr. Weidinger*

*Representative of the Bavarian Ministry for  
Food, Agriculture and Forestry*

Mr. Chairman, Ladies and Gentlemen,

Thank you very much, Dr. Krüsken, for your kind introduction.

I am very glad to be invited to this important international conference held by the German Foundation for International Development in co-operation with well known international partners.

On behalf of the Bavarian government, especially the Bavarian Minister for Food, Agriculture and Forestry, Mr. Reinhold Bocklet, I welcome you most warmly. We are pleased about to host this conference in our state with you as very important international guests.

The contents of your conference could be a reflection of our own development and history. Until the Second World War Bavaria was an agricultural state. So we know from our own experience the necessities and the success of co-operation and co-operatives in agricultural production, marketing and banking.

"One for all and all for one" was the central idea of Friedrich Wilhelm Raiffeisen, the founder of German rural co-operatives.

This idea and this way of thinking was very important for our country, I would say, in good and in bad times.

So it was also possible that industry, trade, and increasingly advanced technology have become the driving economic forces in Bavaria after 1945.

Although as a result agriculture and forestry have lost their pre-eminent position as a part of Bavaria's cultural heritage; however, they remained a significant economic factor.

Especially, if one includes the subsidiary foodstuffs and woodworking industry, this economic sector is still of great importance, particularly for jobs in rural areas.

I am sure you will have effective and interesting sessions during this week. But I also hope you may have the opportunity for sightseeing. The temperatures are expected to rise. The situation on the lake, the proximity to the Alps and the rich green is a gift. But this countryside is also a reflection of farmers' and foresters' work during a long



time. Agriculture and forestry, carried out by small and medium private farm enterprises, are characteristic of Bavaria's landscape and ensure ecological diversity.

So I wish you some good days here in Dießen, a good return to your countries and good luck forever.

Thank you very much.

## **INAUGURAL ADDRESS**

*By*

*J. E. Imbsen*

*Human Resources Development Director, ICA,  
Geneva/Switzerland*

The Director of DSE/ZEL,

The Representative of ILO,

The Vice-President of ICA for Africa,

Representatives of Co-operative Partner Institutions,

Distinguished Experts,

Fellow Co-operators,

On behalf of the International Co-operative Alliance, I would like to express to our organising partners - DSE and ILO - our deepest satisfaction, for two reasons.

Firstly, the selection of the theme of our conference, which is not only highly important as a subject, but also crucial to the future of co-operative movements in Africa as well as in the rest of the world.

This conference constitutes a forum for exchange of ideas as well as a framework for assessing the impact of ICA's study conducted in 1994 on "Co-operative Adjustment in a Changing Environment in Sub-Saharan Africa". Two years later, it will be highly interesting to know the level of implementation and the impact of the recommendations of the study.

Our second reason for satisfaction is the close collaboration between the DSE, the ILO and the ICA, which has enabled us to achieve our common aim of establishing a consultative framework for dialogue between the various actors and partners in development of co-operative movements in Africa.

We strongly believe that only frank and constructive inter-institutional collaboration and co-operation can contribute to assisting the African co-operative movements in adapting themselves and developing in the ever-changing environment.

Some of you - fellow co-operators - may wonder why there is a need for another conference on this theme, which has already been discussed several times both at national and regional levels. The answer to this perfectly legitimate question is simple.

The changes confronting the African co-operatives are so deep and quick, and the unavoidable changes are so complex that there is need for constant deliberation, analysis and action in order to assist the movements/enterprises in their adjustments towards survival and sustainability. The realities in the different countries vary to such an extent that it is imperative to have a constant exchange of experiences and make use of these experiences. Quite often, certain problems confronting some organisations/members have already been solved by others.

A theme such as the one we are going to examine, generally brings to mind issues of structural adjustment and macro-economic, administrative and legislative measures.

It is true that the existence of a conducive environment is an important factor for the autonomy and development of co-operatives in Africa. The experience shows, however, that the external environment is not the only determining factor.

Co-operatives must, alongside measures linked to the external environment, introduce within themselves deep-going changes. In short, they must self-adjust.

Such self-adjustment must be reflected in:

- better strategic planning in order to avoid having to improvise and to utilise more effectively the limited resources available in the pursuit of meeting the needs of the members.
- control over expenses and earnings in order to solve the eternal problem of deficits and losses in the balance sheets and operating statements. Costs stemming from prestige, magnanimity or any other form of unproductive excess can not be allowed in the co-operatives - any co-operative.
- correct and timely keeping of financial and accounting documents through the use of adapted, inexpensive and understandable systems and tools. The accounting and financial documents of a co-operative are to them what radar, control panels and compasses are to a sea vessel or an aircraft.
- reviewing and auditing of accounts and their approval by the respective general assemblies in order to instil transparency and confidence. Many internal conflicts are often due to the lack of transparency and the spreading of

information. One must not forget that the co-operators are the owners of the organisations/enterprises and, therefore, have the right to know, be informed and be reassured.

- application of statutes and by-laws. In particular, the periodic renewal of elected bodies with a view to practice co-operative democracy and provide opportunities for "new blood" to exercise co-operative power. Changeover of power is a fundamental principle of co-operative democracy.
- revitalisation of co-operative members' participation in the operations and self-capitalisation of their co-operatives, as well as the proper and timely repayments of any loans to their organisations. Strategies must be devised and applied to encourage women's integration into the membership, operations and decision-making bodies of the co-operatives. The integration of women does not mean violating habits and customs. It means that co-operatives, based on the principle of equality, should take the potential and capabilities of women into account in their policies and strategies - as are the potential and capabilities of men.
- restoring the credibility of co-operatives among financial institutions and suppliers through proper settlements of their loans/credits and, among external partners and donors, through proper management and utilisation of resources put at their disposal.

Fellow Co-operators, Distinguished Experts, these are some of the issues and proposals put to you for deliberation and exchange of experience with the objective of revival and self-adjustment of African co-operatives.

The solutions will not come from ICA or from DSE or from ILO, but can only come from the co-operatives themselves. We can provide a platform / framework, but decisions are to be made by the co-operative members.

We now ask you to make a critical and objective analysis of the issues and, as far as possible, propose practical and viable solutions which may come out of the following principle:

Nobody can have the answer to everything, just as certain as everyone has something to contribute, which means that together we can find many answers.

On behalf of ICA, I wish you the best of success in your deliberations.

Thank you !

## OPENING ADDRESS

*By*

*J. Fazio*

*Chief, Co-operative Branch, ILO, Geneva/Switzerland*

Most of the developing world including many of the countries represented here have been facing a continuing series of political, economic and social crises which have suppressed economic and social opportunities for people and have lowered their personal expectations for improvement in their lifetimes. The reflection of this situation is a preoccupation of policy makers with poverty alleviation and not economic growth. Gone are the days of external assistance for large-scale industrial projects in the state sector and here are the days of downsizing and local development through non-governmental organisations.

This shift has also had an impact on co-operative development, because in the past the state as the manager of the national development process was often the principal force behind co-operative development and as among the many instruments used by the state to achieve national development, especially in agriculture, was the promotion of co-operatives - the top down approach. As a result co-operatives were the beneficiaries or the victims of massive public assistance which was often reinforced by external assistance from bi-lateral agencies and international organisations.

Nevertheless, the experience of the past with state promotion of co-operative development has often been limited in success and often not very satisfactory. The low development achievements have often overshadowed some good success and have opened the door to reflection and policy reformulation among co-operators, national policy makers, and the donor community.

The process of reflection and reformulation has also entered into the ILO. In the past the programme for co-operative development grew at a considerable pace, due to the ready availability of donor funding through the UNDP, IFAD, AGFUND and multi-bilateral sources in the Nordic countries and Western Europe, accompanied by a strong policy commitment to the promotion of co-operatives as the key instrument for agricultural and rural development. The ILO, as well as other international agencies, followed bi-lateral agencies in supporting country-based technical co-operation projects in co-operative membership education, co-operative management training, and establishment of co-operative primary and secondary structures. In addition, there were projects for the establishment of government co-operative departments,

the training of co-operative officers, and the establishment of co-operative colleges. However, beginning in the 1990s it was apparent that this was an expensive progress overly dependent on external assistance with weak self-sufficiency and frequent failures, both financial and institutional. At the same time began a process of decline of external assistance due to external factors - many budgetary restrictions in donor countries. Indeed, the amount the ILO is able to give to technical assistance to co-operatives today is only half the level it was in 1990. The donors give less today and it seems unlikely that they will give any more tomorrow.

Therefore we have been obliged to rethink our strategies, our priorities and our technical co-operation programme for co-operative development. To help the rethinking process, the ILO commissioned leading think tanks and specialists in the co-operative sector to do a series of studies on the subject of how to create a favourable climate and conditions for co-operative development. The first was on Africa in 1993 carried out through Prof. Münkner, who is with us at this meeting, and the Institute for Co-operation in Developing Countries in Marburg, followed by a study on Asia in 1994 done by Mr. K. K. Taimni who is also with us at this meeting. The Institute for the Promotion of the Social Economy, Lima, Peru, carried out the next study, which was on Latin America. A further study should appear this year on Eastern and Central Europe, being completed by the Humboldt University in Berlin.

These studies seem to propose that creating a favourable climate for co-operative development means:

1. to change the bureaucratic and paternalistic rules and patterns of thinking in the political, economic and administrative circles, inherited in part from the past, but often reinforced by independent and autocratic governments, by adapting policies and regulations which allow more room for individual initiatives and self-responsibility in mutual self-help groups;
2. to reduce the role of the state in economic affairs and especially in the management of business enterprises, including co-operatives;
3. to nevertheless support the process of human resource development through information services, education, management training and technical advisory services;
4. to also support systems for financial and investment services since co-operatives have difficulty in using the private sector for securing investment and credit;
5. to establish an appropriate legislation ensuring the protection of the ownership of property and the enforcement of commercial contracts.

The rethinking process in the ILO, that is the ILO as an institutionalised secretariat, has also been extended to the 174 member states of the organisation since they authorised and financed two recent meetings of specialists on co-operatives; in 1993 a meeting on ILO Recommendation No. 127 on the role of co-operatives in the economic and social development of developing countries, on the role of co-operatives in employment promotion, and on the role of human resource development in the economic viability, efficient management, and democratic control of co-operatives; in 1995 a meeting on the impact of labour law, industrial relation systems and international labour standards on co-operatives and co-operative law, and on co-operative law and the regulatory role of the state.

This rethinking process has already had a substantial impact on how the ILO undertakes its activities in favour of co-operatives:

1. We avoid doing our activities alone; we seek partners - development partners - hence this conference is sponsored by the DSE with the technical support of the ICA and the ILO. But there are other activities in partnership with the ICA, the *International Institute in Israel*, ISPEC in Africa, World Solidarity in Belgium for Africa and the Caribbean, ALCECOOP in Latin America, the *Mutualité française* in CIS.
2. Although we provide technical assistance through the traditional framework of country-based development projects, we try harder to provide technical assistance through regional and inter-regional programmes dealing with substantive issues which provide a lower cost framework - fewer experts, fewer offices and a quicker response. Hence, there are programmes such as MATCOM, ACOPAM, PRODERE, INTERCOOP, INDISCO, COOPNET, COOPREFORM and Social Support Services.

The official theme of this conference is co-operative development and adjustment in Africa, but in some way the theme is also co-operative development and policy adjustment in the international community.

Many thanks.



### **3. TOPIC I:**

## **CO-OPERATIVE DEVELOPMENT AND ADJUSTMENT POLICIES**

### **3.1 ADJUSTMENT POLICIES IN AFRICA: CONCEPT, IMPLEMENTATION AND IMPACT - WITH SPECIAL REFERENCE TO ANGLOPHONE AFRICAN COUNTRIES**

*By*

*Dr. Cosmas M. Musumali*

*Economist/Research Advisor*

*Social Recovery Project-NCDP, Lusaka/Zambia*

#### **1. WHY ADJUSTMENT IN AFRICA?**

Booming economies have to adjust, mainly in order to adequately make use of new and better opportunities provided by fast growth. Stagnating and declining economies have also to adjust, mainly in order to protect the little that remains or so that a notion is created that something is being done for a better tomorrow. Sub-Saharan economies adjusted due to the latter.

There are several reasons as to why the countries in Sub-Saharan Africa had to adjust their economies during the 1980s and 1990s. To start with, Sub-Saharan Africa's economic performance over the past thirty years has been the weakest among all developing regions. Between 1965 and 1985, the region's Gross Domestic Product (GDP) per capita increased by less than 1 percent per year on average. A closer look at the individual country statistics actually reveals that the GDP per capita of more than two thirds of the Sub-Saharan countries was substantially lower in 1985 than in the mid-1970s (World Bank 1994: 17).

There were hardly any significant economic sectors that were exempt from the stagnation and decline of the 1980s. Exports of manufactures, for example, declined between 1970 and 1986, the region's share of developing region's agricultural exports slipped from 17 percent in 1970 to 8 percent in the mid-1980s, and primary products still generated 80 percent of the export revenue just like in the 1960s. During the same period, other developing regions successfully diversified their export

base and drastically increased their shares in world exports of primary commodities (World Bank 1994:17,18).

By the mid 1980s, the gravity of the economic crisis was very evident:

- The physical infrastructure was badly dilapidated due to lack of maintenance,
- Social indicators (for basic education, primary health care, nutrition, water and sanitation) had fallen far below those for other developing regions,
- External investment flows were negligible,
- Donor funding became the major source of finance for the economies' capital investments, and
- The majority of development projects had (both in economic and social terms) failed.

Under these conditions, economic structural adjustment was therefore a MUST.

Global political events were, however, to influence the general framework of adjustment. It was during the 1980s that a strong ideological shift took place. Liberal economic policies gained strong grounds on the international scene, whereas the socialist order in Eastern Europe began declining. Solutions to Sub-Saharan economic malaise were hence-forth to be sought for within the liberal, pro-market policy framework as advocated by the International Monetary Fund (IMF), the World Bank, and other western donors.

## **2. PERFORMANCE**

Development will remain elusive when and where the leadership is more preoccupied with personal enrichment, the socio-political climate is unstable, a weak and inefficient bureaucracy takes more than what it can chew, inflation is high, the exchange rate is overvalued, agriculture is highly overtaxed, vital imports are in short supply, prices and production are heavily regulated, key public services are in disrepair and basic financial services are unavailable. And all this applied to most countries in Sub-Saharan Africa.

There are a multitude of factors behind Sub-Saharan Africa's poor economic performance. These are domestic as well as external.

### **2.1 Poor Macro-Economic and Sectoral Policies**

At policy level, most Sub-Sahara African countries seem to have got wrong everything that could go wrong:

- Most countries relied heavily on the state as the main actor in economic development. It is, however, appropriate to mention that during that time, this

was a very common feature in all developing regions. Most aid donors and development economists actually fully supported this policy choice. It is often argued that due to lack of domestic capital and entrepreneurs, the unwillingness to rely on foreign capital and general distrust for liberal economic policies that prevailed, the choice may be understandable. However, most governments went further than being mere providers of goods and services; they fixed and controlled prices, nationalised almost all major private firms, highly politicised the business policies and management of the nationalised firms and literally hindered the development of private enterprises by imposing high transaction costs on most private business activities. This excessive intervention in the economies greatly reduced productivity, enhanced the mis-allocation of resources, led to huge but corrupt and inefficient bureaucracies, to massive budget deficits and, indirectly, to rampant inflation.

- Agriculture was much more heavily taxed in the Sub-Saharan countries than in any other developing regions (Schiff and Valdes 1992). Producers of agricultural exports ended up receiving real prices which were only a half those received by producers of similar crops in other regions (Akiyama and Larson 1989). This greatly discouraged the region's agricultural growth.
- Sub-Saharan African countries were also the least outward oriented. Most of them followed an inward-oriented, import-substitution strategy. This was often supplemented by the indiscriminate use of tariff and non-tariff barriers to reduce external competition. Of the 20 countries with the highest non-tariff barriers in the world, 11 were in Sub-Saharan Africa (Prichett 1991, Dollar 1992).
- By the 1980s, most of the government expenditure was going to consumption at the expense of capital investments. Capital expenditure actually declined during the same period. The ratio of government consumption to GDP stood at around 17 percent, i.e. 6 percentage points more than the ratios of the other developing regions (World Bank 1994:23). The consequence of this was that Sub-Saharan Africa ended up with a relatively inefficient and inferior transport system, telecommunication network and public utilities.
- Most of the region's exchange rates were, in the early 1980s, on the average over-valued by 300 percent. This discouraged exports and greatly encouraged imports.

## **2.2 Negative External Factors**

As already mentioned, external factors also contributed to Sub-Saharan economic stagnation and decline.

Most countries faced deteriorating terms of trade between 1970 and 1986. With the exception of oil exporters who experienced improvements in the terms of trade of more than 100 percent, non-oil exporters suffered losses of about 30 percent whereas mineral exporters had losses of about 50 percent (World Bank 1994:26).

The most critical issue in this regard is, however, not the worsening terms of trade in themselves. Other developing regions had similar deteriorations but still managed to achieve high economic growth rates. The critical problem was and still remains the inability as well as lack of capacities and political will to seriously manage terms of trade fluctuations.

When faced with terms of trade fluctuations, most of the countries adopted exchange rate, fiscal and agricultural policies that undermined growth in the medium term. Even positive terms of trade, e.g. for oil in the mid 1970s and for coffee and cocoa in the late 1970s, were often costly where they were experienced. The windfall gains in foreign exchange earnings went to finance public sector expansion, wasteful recurrent expenditure, prestigious investment projects, and capital flight.

On the other hand, net external transfers in the form of grants and loans increased during the 1970s and early 1980s from 3.7 to 7 percent of GDP. By the early 1980s, Sub-Saharan Africa was receiving around \$ 20 per capita (World Bank 1994:28). This was four times the amount going to poor countries elsewhere in the developing regions. This rise in external transfers was, however, not high enough to completely compensate for the losses that arose from the deteriorating terms of trade.

Most countries had, therefore, to resort to external borrowing. By the late 1980s, the level of borrowing had reached unserviceable proportions. A total of twenty-one Sub-Saharan African countries were classified as severely indebted. That is, they had a present value of debt service of more than 200 percent of exports.

### **2.3 Bad Governance and Socio-Political Instability**

Apart from the policy and external environment factors, other explanations for Sub-Saharan Africa's poor economic performance are also to be found in bad governance and socio-political instability that has been characteristic of most of its countries. More than half of the region's countries have experienced (civil) war and uprisings. The "cold war" between Eastern and Western countries was, by and large, fought "hot" on African soils, the colonial determined boundaries proved problematic, and weak political structures and ethnic conflicts also contributed to instability.

*In addition, the ruling elite was more preoccupied with personal enrichment and self-aggrandisement as well as with the building of growth inhibiting autocratic political structures.*

For a number of Sub-Saharan African countries, these socio-political problems contributed significantly to economic stagnation and decline. As of now, appropriate solutions to these problems still remain elusive. Neither were the solutions to be found in mere stabilisation and liberalisation of the economies. Structural adjustment programmes, at least the way they were conceptualised in the 1980s, hardly dealt with issues of socio-economic stability and good governance. If anything, they contributed to socio-political instability in some cases. As we shall later point out, consideration of good governance and political reforms within the framework of structural adjustment is a relatively new phenomenon. It is yet to become more and better focused.

### 3. THE CONCEPT OF STRUCTURAL ADJUSTMENT

Adjustment is "the triumph of free-market economics". It is the dramatic shift in economic policy that is sweeping the developing countries. The individual prescriptions are, by now, familiar: dismantle trade barriers, tighten fiscal policy, privatise state owned firms, attack inflation, and so forth. (The Economist, April 27th 1996)

The concept of stabilisation and structural adjustment has not been static. It has undergone considerable changes since its inception in the late 1970s and early 1980s.

**First phase:** In this early phase, countries facing economic problems, and in need of funding from the IMF and World Bank, had to commit themselves to meeting conditionalities that mainly emphasised demand management. The aim was to reduce inflation as well as fiscal and balance of payment deficits. It involved, above all

- the freezing of civil service salary increases,
- removal of food subsidies,
- charging user fees for health and education, and
- the devaluation of the local currency as a price incentive to exporters and as a way of raising international competitiveness.

In strict economic terms, this phase of adjustment was, therefore, more concerned with stabilisation and not with structural adjustment. The general understanding was that the economic crisis was short term and could adequately be dealt with using demand management policy instruments. This was a misconception.

**Second phase:** By the mid 1980s, it had become evident that the economic problems being faced, though having short term aspects, were basically long term

and structural in nature. They could not be solved through mere stabilisation measures, let alone through a piecemeal and incrementalist approach.

The alternative was the implementation of "comprehensive adjustments in macro and micro policies, both to respond to various shocks and to rectify inappropriate policies that have hampered economic performance, the fundamental objective of which is to restore sustainable economic growth" (World Bank 1991:7). A "shock therapy" was highly recommended. This would involve a critical mass of policy instruments, that were to be applied simultaneously in order to achieve the desired results. Both macro-economic (e.g. tight fiscal and monetary policies and the introduction of realistic exchange rates) and sectoral (e.g. trade and agricultural reforms) aspects were to be emphasised. The IMF and World Bank were to closely and strictly monitor progress on achievement of specific benchmarks stipulated in the country agreements.

**Third Phase:** By the late 1980s, the negative experiences made with adjustment programmes started acting as sources of knowledge on what and how improved and effective adjustments should look like:

- A consensus had emerged that the timing and sequencing of policy reforms mattered just as much as the depth and coverage. For example, the experience gained indicated that whereas financial reforms have to be initiated from the very beginning, they should, nevertheless, be carried out more systematically and with great caution if disastrous mistakes that could derail the whole programme were to be avoided.
- It also became increasingly clear, that programmes could only be widely accepted and succeed if they had "human face". There was great need for programmes that aim at mitigating the social costs of adjustment. The adjusting governments were also to be more involved in the design of the programmes than was previously the case.

In short, the concept of adjustment has and is still undergoing change. The trend and direction of this change is quite clear. It is moving into a more participative and long term oriented direction.

#### **4. IMPLEMENTATION OF ADJUSTMENT PROGRAMMES**

Initially, they were referred to as IMF and World Bank programmes. African governments were quick to point out that they had been forced into them. Those openly supporting them were labelled as "American puppets". The scene has since changed. Governments increasingly identify themselves with the programmes and the hostilities surrounding the implementation has waned considerably.

Just like the other adjusting Sub-Saharan countries, the Anglophone countries started implementing structural adjustment reforms in the 1980s.

Countries such as Ghana, Kenya and Malawi launched their adjustment programmes in the early 1980s and had already implemented some durable reforms by 1987. Other countries, such as Zambia, started in the early 1980s but later reversed important reforms and then later still adopted new programmes. Several others, including Sierra Leone and Zimbabwe did not initiate reforms until late in the adjustment period.

Botswana, Lesotho, Namibia and Swaziland - countries in the South African Customs Union - had traditional better economic policies, were less affected by the external problems of the early 1980s and did not, therefore, have adjustment programmes during this period.

Judged mainly from the experiences gained in Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Tanzania, Uganda, Zambia and Zimbabwe, the basic problems in the implementation of adjustment programmes were/are:

- Lack of ownership of and commitment to the reforms on the part of the responsible governments,
- Lack of adequate capacities and enough experience for a smooth implementation process, and
- Donor rigidities and at times also arrogance.

As long as the reforms were imposed on the governments from outside, implementation proved difficult. Governments easily "washed their hands" from the programmes and pinpointed at the IMF, World Bank and the donor community as the real initiators. Commitment to these reforms was, by and large, lacking.

Weak political and administrative structures worsened the situation. Shaky governments risked impeachment (as it happened in Liberia), the capacities to design and implement policies within a free market framework had yet to be developed, and the much needed political consensus was not even strived at as most aspects of the reforms became "state secrets".

Resistance, by part of the elite that was amassed with privileges and personal loyalties in the then prevailing economic order, was, however, quite formidable. It contributed to delays in implementing a number of major policy reforms such as privatisation and civil service restructuring.

It is also instructive to note that a number of policy reforms were so haphazardly introduced, that positive economic results could hardly be expected from them. For example:

- The scaling down of the civil service was often carried out without due regard to capacities and competencies required for quality and timely provision of services.
- Privatisation programmes were introduced without the accompanying reforms to dismantle monopolies and strengthen competition, to enable capital market transactions in equities, and to involve employees and the rest of the citizens in acquisition of shares in the firms to be privatised. The privatisation hence ended up still consolidating monopolies (this time private ones), they became heavily dominated by a few, financially strong, big foreign companies, and raised the fears of "selling the country to foreigners".

The donors were also wrong on a number of issues:

- They gave little consideration to the genuine fears and interests of the African governments and of the general population in the conceptualisation of the programmes.
- Conditionalities tied to a bundle of activities to be carried out proved inappropriate, too. When some of the conditionalities could not be met, substantial amounts of donor pledges were held back, thereby eroding all progress achieved in the other areas. A better and more differentiated selection of conditionalities could have smoothed the implementation.

## 5. THE IMPACT OF ADJUSTMENT

The estimates for 1995 for Sub-Saharan Africa indicate that inflation is going down and that a real growth rate of 4% has been achieved. Exports as well as the savings and investment rates have also improved. This brings some stop to the decline that has been experienced for a long time. This improvement is to some extent due to the reforms that have been carried out in the various countries. Behind these statistical averages are, however, still very serious imbalances to be dealt with. Poverty continues to increase, and the sustainability of this growth is still uncertain.

At long last, there are some indications that adjustment has started to bear fruits. A real growth rate of about 4 % was achieved in 1995. This is likely to be maintained or even improved upon in 1996. Inflation has also stabilised in most of the Anglophone African countries - though still at a relatively high level. It is doubtful whether these results could have been achieved without adjustment. Whether these results can be sustained over a long period of time still remains uncertain. Most of the policy reforms have been implemented through close supervision by the IMF and World Bank. Substantial donor funding has also gone to financing these reforms. Have enough management and financial capacities been developed so that the countries could carry out the reforms on their own? Is there enough political will in these



countries which could sustain the reforms long after external pressure is lessened? Have the reforms gained enough self-dynamism so as to become irrevocable? The answer to all these questions is NO.

At a closer look, even the above mentioned positive results are far from satisfactory. What emerges is that most of the economic growth associated with structural adjustment was in

- a) industry,
- b) services, and
- c) export based agriculture.

There were hardly any significant growth impulses on the other sectors. Where these three growth sectors are labour intensive or based on smallholder production, in the case of agriculture, some rise in the demand for non-skilled labour was registered and income opportunities for smallholder producers improved. The relative wages for labour and the terms of trade between agriculture and industry did not, however, improve even under such circumstances.

By and large, poverty continues to increase in most countries. This applies to countries like Nigeria that decided to deviate from the adjustment programme as well as to countries like Zambia that have to implement the programme seriously over the past five years. On the other hand, there are signs in some parts of Uganda and Ghana - countries that have been quite serious with the implementation - that the situation of the poor is after all improving!

To continue with the weaknesses, the adjustment programmes seem to have greatly neglected the

- a) rural areas,
- b) possibility of lags in supply response, and
- c) environmental aspects of policy reforms.

The rural areas, and more especially the rural poor and some smallholder producers, were often not touched by the economic incentives provided by economic reform. They were actually negatively affected by the withdrawal of government credit and marketing facilities, and of fertiliser as well as transport subsidies. This was made worse especially in the initial phases of adjustment when subsidies were often drastically cut over board and user fees rigorously introduced without much selectivity.

The programmes that were later introduced to deal with the social dimension of adjustment, could not bring about the much expected mitigation of the cost of living on a broader basis. Resources to finance these programmes were limited, and the

numbers of would-be beneficiaries enormous. Our rough estimates for countries like Malawi, Tanzania and Zambia are that over 90 percent of the population are vulnerable and would require protection or some form of safety net! The capacities to efficiently and effectively implement even the few programmes that are currently running are also still greatly lacking.

Another impact related aspect of the adjustment programmes, more especially during initial phases, was that the supply response, and more specifically the response of the private sector to the avenues and incentives provided by reform, were often overestimated. The local entrepreneurs greatly lacked the exposure and capacities for a quick response to the changed situation.

There were also a number of other obstacles to a favourable supply side response. Restrictive regulations, officially cemented monopoly powers of certain firms - especially those dealing with utilities -, lack of a transparent and adequately functioning capital market, dilapidated infrastructure, an inefficient and ineffective civil service, absence of strong regional co-operation and free trade zones, and many others are some of these obstacles.

Foreign investors, for example, adopted a "wait and see" attitude. The question on whether the liberal reforms could be sustained over a long period of time remained open. Confidence in the reforms could only be gained slowly, and the whole process required a long time span.

Last but not least, environmental aspects were hardly considered in the adjustment programmes. Even up to now, environmental issues are still largely considered outside the adjustment framework. In terms of impact, where adjustment programmes brought about positive environmental changes, these were not purposely initiated. They were more or less coincidental. For example, due to the withdrawal of subsidies for pesticides and fertilisers, smaller amounts tended to be applied per hectare, hence indirectly contributing to a healthy environment. The donor community is, however, getting interested in national environmental plans - more especially after the Rio Environmental Summit.

## **6. WHICH WAY ADJUSTMENT?**

The programmes are far from coming to an end. The next generation of adjustment programmes will have (and has actually started) to incorporate the useful insights gained from the previous ones in terms of design and implementation. If properly handled, they might be better able to solve the major economic problems being faced today. This will, however, require a call for even stronger political resolve to tackle a number of issues.

### **6.1 Macro Policy Reforms Must Continue**

In all Anglophone countries, policy reforms still remain incomplete. No country has yet achieved a sound macro-economic policy stance even by developing country standards. This would in broad terms mean

- an inflation rate of under 10%,
- a budget deficit below 5 percent of GDP,
- a flexible and competitive exchange rate,
- eliminating non-tariff barriers and adopting a moderate, tariff-based level of protection.

In addition, fiscal and financial reforms have lagged behind in most countries. Public sector demands for credit are still very high and continue to crowd-out the private sector. The central governments alone absorb between 30 to 60 % of domestic credit!

### **6.2 Adjustment Should Aim at Poverty Reducing Growth**

Growth should ultimately improve the standard of living of the masses. In this context, it is not just the pace of growth that matters, but also its pattern. Currently there is a tendency to achieve growth which still leaves the majority of the populations impoverished.

Better than the development of safety nets within the structural adjustment programmes, there is greater need to design the programmes in such a way that they are in themselves centred on poverty alleviation. This will entail even higher expenditure on basic education, primary health, agricultural research and extension as well as on rural roads and agricultural storage facilities.

### **6.3 Ownership of Reform Programmes to Be Improved**

Government ownership of reform programmes has to be strengthened. Ownership must, however, not stop with the central government. A broad based consensus on the need for reform should be built so that adjustment programmes are not easily derailed by a minority of powerful interest groups.

One of the major challenges for the next generation of adjustment programmes is, therefore, finding ways of widening ownership and building consensus.

### **6.4 Drastic Measures for Debt Relief**

Drastic measures to reduce the international debt burden have to be found and be more systematically incorporated in the adjustment programmes. There is a big

danger that the debt burden will derail all other positive aspects of adjustment if no feasible solution is worked out.

Initiatives such as that of the special programme for highly indebted adjusting countries in Sub-Saharan-Africa are most welcome.

### **6.5 Reform of the Public Sector**

The experience of the last 10 adjusting years indicates that a lean civil service must not necessarily be efficient and effective. More selectivity is required here. There are certain functions of the civil service that are so central to the smooth running of an economy that a withdrawal of capacities in such areas could derail all other reform efforts.

In most Anglophone countries of Africa, there is actually still a need for bigger and higher quality capacities in policy analysis and implementation, in the social sectors (health, education, low cost housing, water and sanitation), law and internal security.

There is also great need for appropriate, innovative solutions in matters of decentralisation, and in the commercialisation of government departments and functions.

### **6.6 Integrating Environmental Aspects**

The National Environmental Action Plans, which most Sub-Saharan countries must have developed by now, should be used in identifying key environmental concerns that are to be dealt with under adjustment. Better still, environmental concerns should be integrated within the general framework of adjustment from the very beginning

### **6.7 Development Aid and Budgeting Process Require Improvements**

In the initial phases of adjustment, donor assistance mainly went to project funding. The disadvantages of heavy reliance on the project approach by the donors were that bureaucracy tended to be overstretched by these usually uncoordinated projects. It also led to the development of overlapping parallel administrative structures and also to contradictory advice on sectoral policy.

Some improvements are now being introduced. An example of these is the Sector Investment Programme (SIP) approach. It aims at creating an environment for a well balanced sector-wide approach. SIP is, therefore, a reaction to the weaknesses of the project approach.

Under SIP, capital expenditure, recurrent expenditure as well as institutional implications of sectoral policies are dealt with simultaneously. The government and

other local stockholders play the leading role in the conceptualisation, planning and implementation. Due consideration is also given to the mechanisms for co-ordinating the multiple donor inputs. Donors have now to "buy-in" the SIP. The era in which each cook prepared his/her soup seems to be coming to an end.

An improvement is also to be seen in budget orientated structural assistance. External assistance is more closely being linked to the scope, priorities and process dimensions of national budgets.

Several changes will also be required on the donor side. Instead of heavy reliance on conditionalities as is the case now, there is need to involve the local stockholders in a dialogue process meant to achieve consensus on specific benchmarks. This would greatly enhance the ownership of and commitment to the reforms.

External funding should also increasingly be linked to the effort that the countries themselves are putting in. That is, to the extent of self-initiative, timeliness and efforts in initiating reforms. This will mean stronger resolve on the part of the donors for higher selectivity of their resource inputs.

## **7. CONCLUSION**

Though quick and all-round progress might not be achieved in Sub-Saharan Africa, the conceptual improvement in the concept, design and implementation of adjustment promises better chances for prosperity than was the case in the past. There is still a lot to learn and to do. We should, however, strive to make this process as less costly as possible.

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## 3.2 CO-OPERATIVES AND STRUCTURAL ADJUSTMENT IN AFRICA

By

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### 1. INTRODUCTION

Co-operative leaders and government officials sometimes claim that structural adjustment destroys the co-operative movements. Experience from many African states suggests that this may be true. Structural adjustment has indeed destroyed thousands of once powerful primary societies, unions and apexes in Africa, and confronted many others with severe financial problems.

Yet, the first victims of structural adjustment were those inefficient, overprotected, politicised and spoon-fed parastatal "co-operatives" that oppressed their "members" and ruined the state. Their disappearance was more often than not welcomed by the public, except by those few "elected" leaders and other officials who benefited from the situation.

On the other hand, structural adjustment has caused new needs for joint action, thereby creating new opportunities for co-operative organisations. The free market functions correctly

only when its participants have an equal bargaining power and fair access to information. Yet, the bargaining powers of a small cotton grower and that of a cotton buyer are simply not comparable. The former must join their forces to overcome this imbalance. The World Bank's laissez-faire policy expects the private sector to fill the gap left by the state which confines itself to the regulatory role - but why should a private buyer send a lorry on a 100-km trip to collect just one bag of coffee from an

#### ***An unusual victim of adjustment***

*Fifteen years ago, a group of women formed a tailor's co-operative in Dar es Salaam. They derived a decent income from making dresses for the local market, until the Tanzanian government decided to liberalise external trade. All of a sudden, the markets were flooded with very cheap second-hand clothes sold by European charity organisations to Tanzanian importers. For some time, the co-operative survived by sewing shopping bags out of the very same plastic awnings which were used to wrap the second hand clothes. Yet this was not enough to survive. Today, the co-operative is closed.*

isolated farmer? As a co-operative member, this farmer would have the right to sell his crop.

We should remember that the co-operative idea was born during the era of Manchester liberalism, an economic system which is not very different from the model the World Bank promotes through adjustment programmes. Now and then,

#### **Successful co-operative adjustment**

*Until the late 1980s, Cameroon's co-operative movement consisted mainly of about 50 district marketing co-operatives that monopolised the domestic coffee and cocoa trade and were managed by civil servants. They provided hardly any service to members, but absorbed enormous amounts of state funds. After a reform programme initiated in the early 1990s, most of these "co-operatives" have disappeared; at the same time, over 6,000 of "common initiative groups" have emerged. As a result, state expenditures for co-operatives declined by 8 million US-\$ per year, while the members of the CIG earn 15% more for their crops than non-organised farmers.*

co-operation was the only instrument that poorer people could use to survive in a free, but unequal and opaque market.

This paper shall show that co-operatives are not only victims of structural adjustment, but also actors. Co-operatives may as well benefit from macro-economic changes, and contribute to the achievement of their objectives. This is even more so as structural adjustment does not come alone - it is often associated with the democratisation of political life and

the decentralisation of decision-making. These economic and political reforms provide an excellent basis for a flourishing co-operative movement.

## **2. STABILISATION AND ADJUSTMENT**

The World Bank introduced structural adjustment lending in 1980 as a response to the severe balance of payments problems facing many developing countries.

These problems had their origins in external shocks such as a sharp decline in terms of trade; however, adjustment loans and policies were not only used to buffer these external shocks, but also to force structural changes *within* the economies.

In fact, the economies of many developing countries were characterised by structural imbalances such as:

- ⇒ Budget deficits caused by public overspending and insufficient tax revenue;
- ⇒ high levels of external and internal indebtedness, and negative current accounts;
- ⇒ accelerating inflation and falling private investment;
- ⇒ unrealistic exchange rates and interest rates;



⇒ strong government control over credit, prices, domestic and foreign trade.

These factors, combined with the external shocks, reduced economic growth to zero, or triggered a recession. Consequently, the countries concerned embarked upon *Stabilisation and Structural Adjustment Programmes*.

## 2.1 Stabilisation

Stabilisation programmes financed by the International Monetary Fund (IMF) are emergency measures that aim at compensating balance of payments and budget deficits in the short term; in other words, they prevent nations from going bankrupt.

A typical Stabilisation Programme requires the government to devalue the national currency, to cut public spending, to improve tax collection and to impose credit ceilings. These measures lower economic demand and therefore reduce inflation; they reduce imports and expand exports, thereby stabilising the balance of payments; and they reduce state expenditures while increasing state revenue, thus balancing the national budget. However, such stabilisation usually entails an economic recession.

## 2.2 Adjustment

Structural Adjustment Programmes supported by the World Bank are longer-termed and directed towards the supply side of national economies. Building upon the stabilisation efforts, they oblige governments to reduce state control over the economy, to privatise or close public enterprises, to drastically cut subsidies, to change the price system (in particular those of agricultural produce) and the tax structure, and to liberalise domestic and foreign trade.

We can distinguish three generations of adjustment policies. The first generation was "deflationary", trying to solve balance of payments problems by decreasing budget deficits and devaluing the currency. This policy often resulted in a recession because demand in both the private and the public sectors contracted. People lost their jobs, and public services deteriorated.

These negative results gave birth, in the mid-1980s, to a second, production-oriented generation of adjustment policies which aimed at stimulating economies through deregulation and privatisation. It was argued that excessive government regulation and state ownership of enterprises led to inefficiency. Consequently, the state should eliminate regulatory bottlenecks and privatise or close inefficient public enterprises and parastatals. It was expected that the private sector would expand, hire more workers, generate economic growth and, therefore, help increase tax revenues which in turn would reduce budget deficits. However, the private sector did not

always respond as expected, because the recession caused by the first generation deflationary policies had been devastating.

In the late 1980s, structural adjustment policies entered into their third generation. Learning from the past, the World Bank (and other donors) acknowledged that there was no quick solution to the economic problems of the developing world. The Bank now recognised that adjustment could negatively affect human welfare through deteriorating social services, higher unemployment, and erosion of real wages. Successful adjustment, it was now claimed, had to be based upon a broad national consensus. This would imply a high level of participation among the affected population, and the inclusion of additional measures which the ILO describes as *the social dimension of adjustment*.

The third generation of adjustment policies is therefore much broader based. Although including elements of the first two generations (debt reduction, privatisation, deregulation and liberalisation), it takes a wider perspective that incorporates the social sector and employment promotion. "Modern" SAPs:

- ⇒ encourage the creation of productive and freely-chosen employment through enterprise development;
- ⇒ improve labour markets and skill development;
- ⇒ incorporate social aspects by mitigating the social costs of adjustment through poverty alleviation and prevention measures (social safety nets);
- ⇒ observe the fundamental international labour standards;
- ⇒ involve the social partners in the design and implementation of SAPs to achieve a social consensus.

There is indeed evidence that countries which have gone through several adjustment programmes are doing better than others in terms of GDP growth. However, this crude figure says little about the distribution of additional national income among the various sectors of the population. GDP growth does certainly not automatically result in poverty alleviation.

An open question remains that of the *ownership* of structural adjustment programmes. Opposition to SAPs often exists both inside and outside the government; the documents underlying the programme, such as the Policy Framework Paper (which, in many countries, has replaced national development plans), are usually prepared with heavy technical "assistance" from the IMF, the World Bank and other donors. Many governments merely endorse these policies, simply because they are in desperate need of money, and many African people feel that financial institutions from overseas dictate their economic policies, and consider

structural adjustment an alien concept that does not take into account the realities of their countries.

### 2.3 Objectives and Instruments

In the short term, structural adjustment programmes aim at *stabilising national economies*; in the long term, they want to stimulate economic growth which is seen as prerequisite to create employment and alleviate poverty. To achieve these objectives, the World Bank and the IMF apply a series of *macro-economic instruments* which shall remove structural imbalances in the economy. There are a number of standard instruments which are applied in virtually any country that receives an adjustment loan:

<b>SAP: Standard Instruments</b>		
<b>Instrument</b>	<b>Effect</b>	<b>Objective</b>
<b>Exchange rate management</b> (usually a devaluation and the relaxation of foreign exchange controls)	1. Imports become more expensive 2. Exports earn more in local currency	To reduce a balance of payments deficit
	3. Foreign exchange circulates freely	To improve the allocation of foreign currency among economic actors
<b>Trade liberalisation</b> (abolishment of monopolies, quotas, price controls and other restrictions)	1. Greater competition among producers (domestic or foreign) 2. More cost-effective trade	To make enterprises and national economies more competitive
<b>Monetary policy</b> (market oriented interest rates and control of monetary expansion)	1. Reduced volume and speed of monetary circulation	To reduce inflation
	2. Higher savings rate 3. More rational credit allocation	To make a better use of national monetary resources
<b>Fiscal policy</b> (reduced public spending and improved tax collection)	1. Fewer subsidies, grants and other privileges 2. Less public services 3. Higher unemployment	To reduce public sector deficits
	4. Greater tax burden	
<b>Deregulation</b> (removal of legal and administrative barriers to the economy)	1. More cost-effective economic activities 2. Better resource allocation within the economy	To stimulate economic growth
<b>Privatisation</b> (sale or closure of government enterprises and parastatals)	1. Less government spending and higher government income 2. Higher unemployment 3. More efficient services by privatised enterprises	To reduce public sector deficits

These instruments and objectives are interrelated. Trade liberalisation, for example, would make little sense without deregulation. The above standard instruments are usually completed by country-specific measures and the aforementioned "social dimension". The SAPs of many African countries include a specific agricultural sector adjustment sub-programme, because agriculture is of crucial importance to the national economy.

### **3. CO-OPERATIVES AND ADJUSTMENT**

#### **3.1 Co-operatives: A Special Case**

In theory, structural adjustment should affect co-operatives the same way it affects other types of enterprises. However, in many developing countries, co-operatives were not considered as private enterprises, but as some kind of parastatal agencies or political mass organisations. They received subsidies, monopolies, preferential credit and hard currency allocations, and massive technical assistance, while their management was in the hands of civil servants. In some countries, co-operatives played such a crucial role in the national economy that they became not only objects, but distinct targets of adjustment programmes. In fact, the preferential treatment of a specific type of enterprise is not compatible with the objectives of structural adjustment. This is why co-operatives - at least the "state-sponsored co-operatives" - have been much more vulnerable to adjustment measures than private enterprises and genuine co-operatives.

For the same reason, the impact of adjustment on co-operatives depends very much on the economic sector in which they operate. Agricultural marketing societies - in many countries by far the most important group - are usually more affected than, for instance, credit unions which never received much protection and support from the state. Moreover, co-operative *members* are affected differently than co-operative *societies*. For instance, the abolishment of a cash crop marketing monopoly may ruin the society, but it will be welcomed by its members who can finally choose between several buyers of his crops.

Finally, structural adjustment affects very severely governmental co-operative departments and co-operative support agencies. In line with the overall cut in public expenditures, they lose much of their personnel, budget allocations and prerogatives.

#### **3.2 Impact and Response**

The following tables summarise the impact of structural adjustment on co-operatives, and recommend strategies on how to cope with negative effects or how to make use of positive effects. The tables include a (rather arbitrary) selection of examples

showing how African co-operative movements have successfully applied such strategies.

The tables do not describe the impact of SAP on co-operative *members*, because those are usually affected in the same way as the general public.

<b>Negative impact of adjustment</b>			
<b>Adjustment measure</b>	<b>Impact on co-operatives</b>	<b>Recommended strategy</b>	<b>Example</b>
<b>Devaluation of the national currency</b>	Agricultural inputs, spare parts, machinery and imported consumer goods are getting more expensive	Switch to domestic products or alternative suppliers	Kenya: Agricultural co-operatives import fertiliser from South Africa instead of Europe
	"Imported inflation" raises the prices even for domestic goods	Reduce costs	Uganda: Most district unions have reduced their staff by up to 50%
<b>Monetary policy (market oriented interest rates and credit allocations)</b>	Higher interest rates on loans	Mobilise member capital	Swaziland: Credit unions have introduced the "check off" system to facilitate regular savings
	Abolishment of preferential credit allocations	Improve financial credibility to obtain bank loans Create co-operative financing system	Tanzania: Establishment of regional co-operative banks Cameroon: The credit union league grants short term loans to regional unions
<b>Trade liberalisation (abolishment of monopolies, quotas, price controls and other restrictions)</b>	Strong competition from private traders	Improve services to members	Ethiopia: Local service co-operatives organise all basic pre and post-production services
	Declining gross marketing margins	Earn extra value added through additional marketing activities	Kenya: Handicraft co-operatives have established a union to export directly
	Abolishment of concessionaire consumer good allocation	Search alternative suppliers and broaden the range of goods for sale	Sudan: The national union imports directly the former "ration commodities".

(...)

<b>Negative impact of adjustment</b>			
<b>Adjustment measure</b>	<b>Impact on co-operatives</b>	<b>Recommended strategy</b>	<b>Example</b>
<b>Fiscal policy</b> (reduced public spending and improved tax collection)	Less financial and technical support services from the state. Fewer tax exemptions or higher taxes	Horizontal and vertical integration to increase bargaining power and realise economies of scale	Zimbabwe: The newly established Co-operative Alliance shall foster the integration of the movement
		Raise additional income through new activities	Cameroon: A regional coffee marketing union now also buys food crops
	Declining turnover (consumer co-operatives) and savings (credit unions)	Member recruitment campaign	Namibia: The former "white" co-operatives now recruit members among the black majority
<b>Deregulation</b> (removal of legal and administrative barriers to the economy)	Less protection by the state	Enhance competitiveness through restructuring, training and greater member participation	Tanzania: Loss making regional unions have been closed, and thousands of primary societies have been de-registered
<b>Privatisation</b> (sale or closure of government enterprises and parastatals)	Closure of development banks, marketing boards, co-operative colleges etc. means less technical support and higher costs	Reduce overhead costs and create co-operatively owned technical and financial institutions	Zambia: The federation has established various subsidiary companies that offer technical and financial services to member organisations

<b>Positive impact of adjustment</b>			
<b>Adjustment measure</b>	<b>Impact on co-operatives</b>	<b>Recommended strategy</b>	<b>Examples</b>
<b>Devaluation of the national currency</b>	Increase in export prices.	Enter into direct export operations.	Uganda: UCA-UNEX sells coffee and cotton on the world market on behalf of district unions
	Higher demand for domestic goods.	Modify supply and marketing strategies and encourage members to innovate	Egypt: Industrial co-operatives produce more than 3.000 different articles that replace imported items
<b>Monetary policy</b> (market oriented interest rates and credit allocations)	Higher potential for savings mobilisation	Increase interests on savings (credit unions)	Mauritius: Credit unions offer competitive interest rates
<b>Trade liberalisation</b> (abolishment of monopolies, quotas, price controls and other restrictions)	Possibility to increase value added through direct export	Acquire export know-how	Cameroon: A regional union has hired an export manager from a private firm
	Possibility to import from alternative sources	Compare prices and conditions	Botswana: Consumer co-operatives import from Zimbabwe instead of buying in South Africa
<b>Fiscal policy</b> (reduced public spending and improved tax collection)	none	none	none
<b>Deregulation</b> (removal of legal and administrative barriers to the economy)	Greater autonomy of co-operatives	Educate members in internal control and train staff in management	Kenya: A management improvement programme trains members and staff of primary societies
	Abolishment of compulsory membership and enforced vertical structures	Enhance member participation through information and education	Tanzania: The co-operative department has carried out a nation-wide re-registration and election campaign
<b>Privatisation</b> (sale or closure of government enterprises and parastatals)	Possibility to enter into new business fields	Capacity analysis, business plans and staff training	Zambia: Co-operatives have taken over the functions of the defunct maize marketing board

Experience from several "adjusting" African countries has shown that the former state-controlled co-operatives have been less affected by SAPs than it had been expected. In fact, many observers had believed that these "dinosaurs" would simply disappear once private traders were allowed to compete with them, and once farmers were free to choose their trade partners. Yet, many old co-operatives mastered the difficult transition towards the market economy, not the less because of the strong co-operative spirit of their members.

### 3.3 Supporting Adjustment

Whether one agrees or not with structural adjustment, one must accept that it has become the inevitable reality of many African nations. It is in the interest of everybody that the SAP achieves its objectives. One should therefore remember that people and organisations are not only passive objects that are negatively or positively affected by structural adjustment, but may themselves actively contribute to make it a success. This is also true for co-operatives. A co-operative society is an economic agent which, while serving its members, can contribute to macro-economic goals, *provided* these goals are not in conflict with the members' objectives. This is shown in the following table which gives a few examples of how co-operatives can further the fulfilment of adjustment objectives:

<b>Possible contribution of co-operatives to the objectives of adjustment</b>		
<b>Objective</b>	<b>Co-operative contribution</b>	<b>Examples</b>
To reduce a balance of payments deficit	Increase exports	Burkina Faso: Co-operatives are the biggest exporters of "non traditional crops" (in this case, green beans)
	Substitute imports	Tanzania: An industrial co-operative produces kitchen knives that were previously imported
To improve the allocation of foreign currency among economic actors	Retain foreign exchange earned through direct exports, and use it for vital imports	Kenya: Co-operatives are allowed to retain the foreign exchange earned through direct exports and to use it for the direct import of inputs and machinery
To make enterprises and national economies more competitive	Improve the management performance of co-operatives to provide efficient services to members and the nation as a whole	Cameroon: A regional union has improved its services to members in such a way that it was able to <i>increase</i> its turnover despite the abolishment of its marketing & supply monopoly

(...)



To reduce inflation and to make a better use of national monetary resources	Mobilise savings in rural areas and in the informal sector	Rwanda: Co-operative village banks in pre-war Rwanda collected 40 million US-\$ of savings that were used to finance large investments
	Distribute loans to small scale producers	Malawi: Farmers' associations distribute, administer and recover loans to farmers on behalf of parastatal agencies.
To reduce public sector deficits	Supplement public economic and social services	Niger: Village cereal banks organised as co-operatives manage the country's strategic grain reserve
To stimulate economic growth	All co-operative activities	South Africa: The turnover of the co-operative movement is equivalent to one third of the country's total GDP

### 3.4 New Needs and New Opportunities

The tables under paragraph 3.2 have shown how *existing* co-operatives can make use of the opportunities caused by structural adjustment. Besides this, the liberal economic environment established by adjustment programmes creates *new* needs and *new* opportunities for co-operative action. Deregulation strengthens the freedom of association without which co-operatives cannot develop, and disengagement of the state means that the people themselves must organise certain economic and social services. Economic changes cause risks and uncertainties for business activities. Producers and consumers can limit these risks by forming a co-operative which offers services at calculable conditions.

The following table gives a few examples of how co-operatives can seize the new opportunities:

New opportunities for co-operative action		
Adjustment measure	New opportunity for co-operatives	Example
<b>Devaluation of the national currency</b>	Industrial co-operatives can manufacture import substituting products	Madagascar: A co-operative produces kitchen pots from scrap metal
	More local products become competitive on the world market	Mali: Co-operatives are planning to export mangoes that have become competitive after the CFA devaluation

(...)

<b>Monetary policy</b> (market oriented interest rates and credit allocations)	Attract new members who were not used to deposit their savings in a financial institution	Uganda: Credit unions combine savings schemes with income generating projects to attract new members.
<b>Trade liberalisation</b> (abolishment of monopolies, quotas, price controls and other restrictions)	Co-operatives can become active in new economic sectors	Sudan: Co-operatives now distribute various consumer articles that used to be under a state monopoly
<b>Fiscal policy</b> (reduced public spending and improved tax collection)	Civil servants who have lost their jobs can form a co-operative for self-employment	Cameroon: The employees of a parastatal co-operative development agency have formed a co-operative specialised in training and audit
	Co-operatives and mutual benefit groups can provide those social services that the State is no longer able to finance	Niger: Co-operative pharmacies sell essential drugs in rural areas
<b>Deregulation</b> (removal of legal and administrative barriers to the economy)	Co-operatives can develop freely without geographical, administrative or sectoral restrictions	Tanzania: Many primary societies that were split by the state during the Ujamaa period have re-amalgamated
<b>Privatisation</b> (sale or closure of government enterprises and parastatals)	Workers can take over a parastatal enterprise that is being privatised	Benin: A former parastatal that had the marketing monopoly of school stationary now operates as a workers' co-operative

To make use of the opportunities created by structural adjustment, co-operatives need a *favourable legal, institutional and administrative environment* that takes into account the objectives of economic and political reforms. The establishment of such an environment will usually require policy changes, new laws and regulations, institutional reforms, and the design of a programme of action.

#### 4. CONCLUSION

We can conclude that the impact of structural adjustment programmes on co-operatives is both negative and positive:

- ⇒ SAPs seriously threaten existing, government-controlled co-operative structures and their support institutions; many of these structures will disappear, leaving behind a vacuum that cannot be filled immediately by the private sectors or new co-operative organisations. Marketing and supply systems will be temporarily disorganised. A large number of employees in the co-operative movement, in

the co-operative departments and in co-operative support institutions will lose their jobs.

- ⇒ On the other hand, new, more genuine co-operatives will emerge, partly to replace the old structures and partly to occupy new grounds. Co-operative values and the co-operative spirit will become more important than ideologies. Member orientation and management efficiency will replace "love of authority" as guiding principles of co-operative leaders.

Co-operative action will enable people to organise the economic and social services they need, thus relieving the burden on the state and contributing to the success of structural adjustment; it will make people more aware of their freedom and responsibility, thus making democratisation irreversible; and it will strengthen popular participation and decentralised decision-making so as to put national development on a broader base.

It is now time to act. What has to be done to alleviate the negative effects of structural adjustment on co-operatives? What must be done to seize the new opportunities? Each country that has adopted a structural adjustment programme should design a comprehensive co-operative reform programme with at least the following elements:

- A new co-operative development policy that redefines the relation between the state and the co-operative movement;
- A new co-operatives act that translates the new policy into legal rights and obligations and guarantees the autonomy of co-operatives;
- A new co-operative administration that restricts itself to regulatory functions;
- The establishment or strengthening of the vertical structure of co-operatives.
- A new system of co-operative support services (mainly education & training, business advisory services and external audit) that is largely managed and financed by the co-operative movement itself.

Many development partners, including the ILO, are ready to assist in designing and implementing such a reform programme. ILO's COOPREFORM programme has already helped several member states to design new co-operative development policies, new co-operative acts and the required follow-up programmes. A new ILO programme for the promotion of mutual benefit groups, that is a direct outcome of the 1994 Social Summit, will help people affected by structural adjustment measures to organise basic social services without help from the state.

### **3.3 CO-OPERATIVE ADJUSTMENT IN A CHANGING ENVIRONMENT: THE ZAMBIAN EXPERIENCE**

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#### **1. INTRODUCTION**

Although Zambia started implementing the International Monetary Fund and the World Bank sponsored Structural Adjustment Programme (SAP) from the early 1980s under the one party rule of the previous government, it is a fact that this programme never really gathered momentum due to policy vacillation on this matter by the government. As a result, the Co-operative Movement, like other sectors of the national economy, never really felt the urge to transform their thinking and their way of doing business in the race of the wind of change taking place in the rest of the world.

However, with the introduction of plural politics and the change of government in 1991, the Structural Adjustment Programme was elevated to the top of the agenda of the new government. Brimming with confidence of a new champion, and intent on reversing the decline of the national economy, the new government started pursuing the programme ruthlessly. Among other things, this entailed liberalising the whole economy, privatising the parastatal sector which hitherto accounted for almost 80% of the national economy, and promoting free trade and competition. The consequence was disastrous for most companies, including co-operative institutions, which were ill-prepared to face the challenges and opportunities of the new liberalised macro-environment.

This short paper seeks to outline the impact the process of liberalising the national economy has had on the Co-operative Movement in Zambia. It begins by sketching the status of the Movement prior to the change of government in 1991 in order to set the stage, as it were, to contrast with the various changes that have taken place to the Movement following the relentless implementation of the Structural Adjustment Programme. It ends with a glimpse of the likely structure of the Co-operative Movement in Zambia when the whole process of adjustment finally takes roots.

## **2. PRE-ADJUSTMENT STATUS**

There is no denying that the previous government had a soft spot for co-operatives. In fact, the formation of most co-operatives at that time was sponsored by the state rather than by the initiative of their members out of a felt need. As a result, government used co-operatives as tools for development, especially in the rural areas where they were predominant. The following were some of the major consequences of that government policy on co-operatives:

- 2.1 Co-operatives did not enjoy the much talked about autonomy, which is essential for their development. Large bureaucratic departments were set up within government to police the activities of the co-operatives.
- 2.2 Co-operatives became over-politicised, and politicians of all shades wanted to use them as stepping stones for their bigger careers.
- 2.3 Too much emphasis was placed on their "social" rather than their "economic" aspects.
- 2.4 Over the years member loyalty was greatly eroded due to government insistence that there be no discrimination in the treatment of their members and non-members. For instance, ZCF Finance Services Ltd. and Credit Union and Saving Association (CUSA) gave out seasonal loans at the same interest rate to their members as well as non-members using funds obtained from the government.
- 2.5 Most co-operatives were heavily undercapitalised and relied heavily on government guarantees in order to borrow funds from commercial banks for their operations.
- 2.6 The government bestowed the monopoly of maize marketing to co-operatives. Given the fact that this was a loss making activity because of price control, co-operatives survived only because of the subsidies they were receiving from the government. And also because of this monopoly they were enjoying, most of them never really felt the urge to diversify their activities outside maize marketing.
- 2.7 Most of them suffered from overstaffing and very high overhead costs. Poorly trained managers were recruited largely on the basis of the tribe they came from to run these institutions.

## **3. PROCESS OF ADJUSTMENT**

Most of the problems co-operatives, and indeed most of the other companies in Zambia, are currently facing is a result of the fact that the introduction of a free

market policy by the new government was not done on a gradual basis. For instance, the liberalisation of agricultural marketing, which hitherto was the exclusive preserve of co-operatives was done literally overnight. Suddenly, co-operatives were left on their own. They no longer had access to government funds nor were they eligible for government guarantees with which to borrow money from commercial banks for their activities. Besides, they had to learn to compete with dealers from the private sector in the buying and selling of agricultural commodities. Given the fact that they were ill-prepared for this sudden change of events, the consequences have obviously been disastrous for most of them.

Albeit belatedly, the Zambia Co-operative Federation, playing its role as the apex organisation, initiated in conjunction with its collaborating partner, the Swedish Co-operative Centre, the process of co-operative adjustment in a changing environment sometime at the end of 1992.

This process involved the following steps:

- 3.1 The appointment of a consultant who carried out a situational audit of the prevailing environment.
- 3.2 Seminars and workshops were conducted in the districts and provinces at which the report of the situational audit was made available to co-operative leaders for discussion and suggestion of the way forward.
- 3.3 The findings and conclusions of the various seminars and workshops described in 3.2 above were compiled in a report which formed the basis of the discussion at the national workshop convened in Lusaka.
- 3.4 Finally, the report of the National Workshop was presented to the National Co-operative Convention organised and sponsored by the Zambia Co-operative Federation. This is a gathering of co-operative leaders from all parts of the country every five years, among other things, to make major policy decisions affecting the entire co-operative movement, and to chart its new course over the next five years.

#### **4. IMMEDIATE IMPACT OF SAP ON CO-OPERATIVES**

The Structural Adjustment Programme has had both negative as well as positive results for co-operatives in Zambia. The following are some of the major ones:

##### **Negative Effects:**

- 4.1 A good number of co-operative institutions have either closed down or are on the verge of collapsing on account of failure to adjust to the new economic dispensation.

- 4.2 Co-operatives have significantly lost their market shares to the new dealers from the private sector in agricultural marketing.
- 4.3 Due to the collapse of a number of primary co-operative societies, rural poverty has increased.

**Positive Effects:**

- 4.4 Surviving co-operatives have had to commercialise their operations. More emphasis is being placed on co-operatives as economic entities rather than "social clubs".
- 4.5 They have restructured their operations by doing away with loss making activities and reducing manning levels.
- 4.6 Competition from the private sector has engendered improved efficiencies in the operations of co-operatives.
- 4.7 Following the loss of monopoly of maize marketing, some co-operatives have embarked upon diversifying their operations especially into agro-processing activities.
- 4.8 Cost cutting and restoring competitiveness are high on the agenda of surviving co-operatives.
- 4.9 There has been some degree of de-politicisation of co-operatives, with less government interference.

**5. FUTURE IMPACT OF SAP ON CO-OPERATIVES**

When the process of adjustment finally takes root, the following are additional changes likely to take place in the Co-operative Movement in Zambia:

- 5.1 There will be a significant decrease in the number of primary co-operative societies through mergers and bankruptcies.
- 5.2 The current four tier structure (Primary Co-operative Societies, District Co-operative Unions, Provincial Co-operative Unions, and ZCF Ltd. as the apex body) will be abandoned in preference of a two-tier system, with several specialised apex bodies.
- 5.3 There will be a shift from single purpose to multipurpose primary co-operative societies.
- 5.4 The quest for autonomy will assume a new dimension.

Only when the foregoing takes place will there emerge a strong, truly independent and viable co-operative movement in Zambia.

### **3.4 CO-OPERATIVES UNDER REFORM IN KENYA**

*By*

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#### **1. BACKGROUND INFORMATION**

##### **1.1 Brief History of the Co-ops in Kenya**

The first known Co-operative Society in Kenya was formed in 1908 by European dairy farmers, and a year later a coffee growers association was formed which later became a Planters Union. These groups were not registered as Co-operatives until 1931 when the first Co-op Societies ordinance was enacted. Although the operations of these organisations were not controlled, the Africans were not allowed to form a co-operative. The situation changed after 1946 when 1931 Ordinance was replaced with 1945 Ordinance and a Registrar of Co-operatives appointed in 1946, and by Kenya's independence in 1963 there were 1030 registered co-operatives with membership of over 200,000.

It should be noted that these organisations originated through the efforts of white settlers for the purpose of marketing large scale farmers' produce and the provision of farm requirements for their cash crops. However, the Africans were not allowed to grow cash crops until after 1950, therefore their first co-operatives which were basically agricultural co-operatives remained very weak.

With the dawn of independence a rapid growth in the number of co-operatives was noted, some with the aim to purchase land from departing settlers and to provide services to the newly settled local farmers.

The rapid expansion of the co-operatives at that time was, however, beset with problems such as lack of sufficiently trained personnel, low capital base, unskilled management officials and an uninformed and largely illiterate and vulnerable membership.

Kenya being an agricultural based economy, the potential of the co-operatives to provide economic growth was quickly recognised by the Government which immediately came in with the Co-operative Societies Act (1966) and the Co-operatives Societies Rules of 1969 to safeguard the co-operatives' interest and aspirations.



The Act and rules gave the Commissioner sweeping powers in management and control of the affairs of the Co-operative Movement enforced through his officers.

The Act also changed the face of the Co-operatives in that early co-operatives registered were not based on economic or technical considerations but with the new requirements co-operatives which failed to deliver were de-registered.

Donor support however came in and most societies were rescued from collapse through advice and management assistance. The support then shifted to building institutions and designing the well-known standardised co-operative accounting and management systems currently in use.

The Government also institutionalised its control of the movement by creating a full-fledged Ministry of Co-operatives Development in 1974.

The Ministry in its support to the movement has been involved in sourcing and channelling of the donor funds to the co-operatives, providing business advisory services, education, and budget allocation to support some of the movement's development and promotional activities.

## **1.2 Structure and Organisation**

The Co-operatives in Kenya are structured into a four tier system consisting of a primary level, secondary or Union societies, national co-operative organisations and an apex organisation.

The operations are organised around a specific activity such that in a primary society which may be either marketing or a Savings and Credit Co-operative Society (SACCO), the membership is limited to individual persons with the Society handling a single or more activities or commodities for its members.

The Unions or secondary society have primary societies as their members with an area of operation being mostly an administrative district. Almost all are in the agricultural sub-sector and provide such services as centralised book-keeping, banking, stationery and bulk purchases of inputs, education and training of staff and committee members of the affiliated primary societies or Unions.

The apex is the top most and is expected to play the leadership role for the movement as a mouth piece and articulating the ideological aspirations of its members who are primary, secondary and national co-operative organisations.

## **1.3 Contribution to the Economy**

The Kenyan economy is agricultural based with the principal commodities like tea and coffee being the major foreign exchange earners. The production of these

commodities especially the cash crops were controlled by the large scale farmers through their various commodity based groups or associations.

When the indigenous people were allowed to grow cash crops and especially when a number of farms were sold to small scale farmers, the farmers grouped themselves to co-operatives to benefit from economies of scale either voluntarily or as prescribed by the act governing the production and marketing of various commodities.

The 1990 statistics show that co-operatives marketed 64 % of coffee, 65 % of pyrethrum and 57 % of dairy products and the total co-operative movement contribution to the Gross Domestic Product was approximately 45 %.

Apart from the agricultural sector, the co-operatives are extremely strong in the financial sector through the co-operative banking insurance, savings and credit. By 1993 there were 2500 SACCOs with membership of over one million and share capital over 14 billion Kenya Shillings (US \$ 260 million).

## **2. GENERAL SITUATION BEFORE SAPS IN KENYA**

### **2.1 The Economy**

Since 1963 Kenya has undergone various cycles of economic comfort as well as depressions before finally settling into the worst slump in the early 1980s. By 1981, the budget deficit had increased by 10 % of GDP from 3 % in 1970 while inflation had shot to 22 % also from 3 %. The current account in the balance of payments also deteriorated to 14 % of GDP from 4 %. The debt service ratio rose to 13 % (proportionate to export earnings) as the exchange rate depreciated by about 30 %.

The Government recognised the problem as the Development Plan of 1979 proclaimed that the only solution to the declining economic growth was by tackling the problems of over protected inefficient local industries, agricultural marketing with export bias and the liberalisation of the economy.

The blue print to this reform agenda is the Sectional paper No. 1 of 1986 whose proposals have been virtually implemented now under SAPs with the major issues addressed being adjustment of exchange rates, price controls, external trade arrangements, restructuring tax and expenditure patterns, and reorganisation of the public sector.

### **2.2 Co-operatives Before SAPs**

With the Co-op. Act of 1966 and Co-op rules of 1969 the government embarked on a strategy of promoting co-operatives through deliberate policies and legal instruments which gave it ultimate control of co-operatives on supervision, regulation and control

of all decisions made in societies. The powers tended to suppress the managerial capacity and capability of the movement as they turned to Government officers for advice and approval.

The legal framework for the co-operatives became even more complex because the majority which were agriculturally based were subjected to marketing and price controls formulated and implemented by various state marketing boards, thereby constraining their commercial active participation and viability in marketing operations.

### **3. INTRODUCTION AND IMPACT OF SAPS ON CO-OPERATIVES - A CASE STUDY**

#### **3.1 Background**

The activities of the Co-operatives in Kenya are broadly classified as either agricultural or financial.

The financial based co-operatives are savings and credit co-operatives, co-operative banking and insurance. The agricultural sector is classified according to the crop. The strongest in terms of turnover and membership being in coffee, dairy and cotton, pyrethrum, fisheries, sugarcane, and horticultural industries.

The societies selected for the Study are two primary SACCOS and a secondary society in the finance sector, and coffee, dairy, cotton and a District Co-operative Union in the agricultural sector.

#### **3.2 Financial Sector**

The general Kenyan financial sector is very competitive with 30 commercial banks, 54 non-bank financial institutions, 38 insurance companies, 14 Union banking sections in Co-operatives, 26 rural SACCOS, and 2500 urban SACCO Societies.

The major adjustments in the sector have been in the decontrol of interest rates and exchange rates. The fixed interest rates were usually low and with the decontrol in 1992 and 1993 they doubled before stabilising.

Liberalised foreign exchange rates have also stimulated export and import trade.

##### **3.2.1 Kenya Union of Savings and Credit Co-operative Societies (KUSCCO)**

KUSCCO was registered in 1973 but started its operations in 1974 with 101 SACCO Societies with individual membership of 32,000 people and savings of Kenya Shillings (Kshs.) 16 million.

The major objectives of KUSCCO as a national body are organisation and promotion of SACCO Societies, book-keeping, education and training of members, spokespersonship and stationery. KUSCCO also provides audit to SACCOs through its central finance programme. New activities like consumer supermarkets, estate management services and risk management have been started.

The organisation has grown to strength over the years with the current membership of 512 SACCOs.

The SAPS has been felt in KUSCCO membership especially from textile based SACCOs, which had to withdraw as most of their workers were declared redundant due to business slump in the area caused by stiff competition from imported textile.

In credit, most of the SACCOs find it difficult to borrow from open market at the prevailing interest rates. They have therefore joined the KUSCCO Central Finance Programme where the rates are 11 % per annum and they can borrow twice their share contributions without any security.

The provision of central bookkeeping to Societies which cannot employ staff is however negatively affected as some societies are now hiring private individuals instead of using the KUSCCO services.

SACCO members of KUSCCO acknowledge high demand for credit facilities from KUSCCO, at least three times the amount instead of two times currently provided by KUSCCO. The KUSCCO employees feel that their terms of service and pay packet should be increased to reflect the changed life due to liberalisation. The Co-operative leaders in KUSCCO are advocating for more products to be invented to make the organisation more competitive. There should be increase in investment activities of the organisation so as to improve on its services to members especially in the provision of credit, training and education.

### **3.2.2 *Ukulima and Kenya Bankers SACCOs***

Ukulima Co-op. Savings and Credit Limited Society was registered on 3rd February 1972 by MOCD with a membership of 1,050 and accumulated share capital of 206,330. Majority of the members are drawn from the Civil Service and they are represented all over the country through District representatives or branches.

By December 1995 membership was 48,959 with share capital of Kshs. 922,588,000. Since registration in 1972 the membership has progressively increased up to 1993. The decline in membership was however noted in 1994 and 1995 due to retiring and resignation related to SAPS - i.e. Civil Service reform programme.

The share contribution and loan repayment to the society by members is through check-off system, therefore once a member is removed from the payroll, it is difficult to continue being a member of the society.

Areas most affected apart from membership decline are commercial borrowing due to high interest rates affecting investment activities and falling dividend to members. It is noted that once a member receives a loan, share contribution is decreased denying the society a major source of income apart from loan repayment and interest on the loans. The members are not ready to increase the rate of interest paid on loans either as they are hard up.

With increased demand on loans, as other commercial avenues are closed to them, too, there is proportional administrative obligation on the society. While management and leaders want the members to approve higher interest on loans to cover their costs of operation it has to be passed by the members who are not willing to do so, secondly the salaries of the civil service are centrally computerised and it will be easier to change to uniform interest rates for all SACCOs belonging to civil servants instead of one of them only.

To counteract credit squeeze Ukulima SACCO has increased its contribution to Central Finance of KUSCCO to benefit from its easy terms of credit to meet the Society obligations (i.e. 11 % per annum). The society is computerising its operation to provide quick and quality service to the members. The management is also advocating for front office services to improve its liquidity and to maintain business contact even with the retired members if they have accounts with the society.

The leaders also agree that when the Co-op. Act is reviewed the fixed percentage of 10 % on members returns in SACCO investment should be changed because some SACCO are capable of paying up to even 16 %. This will encourage members to save with their SACCOs.

The Kenya Bankers SACCO which was registered in 1975 and now has active members of 16,000 has experienced the SAPS very positively. The members of the SACCO are employees of the financial institutions which according to Kenyan standards are well paid with subsidised benefit facilities. With SAPS introduced most banks have reviewed the employees benefits increasing the interest rates on loans. This has forced more members to join their SACCO whose loans carry an interest rate of 0.8 % per month.

Majority of loans advanced by SACCOs like Ukulima are school fees loans and other consumption loans. The Banker SACCO loans are however mostly for commercial development. The members contributions are therefore very large to get big amounts. The liquidity position of the SACCO is very healthy such that they do not see the need to join the KUSCCO run Central Finance.

### **3.3 Agricultural Sector**

The agricultural sector has been the engine of the Kenyan economy. It is therefore obvious that the Government had to pay attention to it in terms of protective legislation and policy to regulate the activities in the sector.

The primary co-operative societies in the sector are based according to the produce while the Unions in almost all cases cover the administrative boundaries of a district. The services of a union are therefore multi-disciplinary and not based on only one crop.

#### **3.3.1 Coffee Subsector**

Coffee is a major export crop whose production and marketing is regulated by the Coffee Act with the powers to oversee the operations invested with the Coffee Board of Kenya. The Board has both regulatory functions, as it has to license all the operations from producers millers, and marketing functions as the marketing agents, buyers at the auction are licensed by it. Kenya Coffee Auctioneers (KCA) which auctions the Kenya Coffee is its subsidiary.

The reform which started in the industry in 1992 has included auctions of coffee in foreign exchange, licensing of more millers which before has been a monopoly of only one miller, allowing the farmer to choose the mode of payment to his coffee, i.e. import or out of pool systems.

##### **3.3.1.1 Tetu Coffee Growers Co-operative Society Ltd.**

This is a primary coffee society on the slopes of Mount Kenya registered in 1950 currently with membership of 16,000 of which 13,210 are active, share capital of Shs. 22 million and a turnover of 205 million. It has 18 pulperies and a permanent workforce of 335 people and about 360 casuals during peak season.

Apart from activities directly related to coffee production and marketing, the Society has invested in commercial building in the country which fetches about Shs. 12 million annually in dividends which are distributed to shareholders.

The impact of the liberalisation is seen to have been positive. The rate of payments to members has almost doubled, boosting their morale. Secondly, since the payment is in foreign currency and with the decontrol of foreign exchange rates, the producers have benefited from the high exchange rate of the local currency to the dollar. In milling there have been some internal wrangles in the choice of the millers, however the millers are also out to show their best performance to the benefit of the growers.

With increased income, the growers can afford to pay for their farm inputs and other house expenses and cultivate better quality coffee which before was on the decline, due to neglect by the farmers because of low market prices.

To improve the returns even further, the co-operative leaders have started intensive education and training for their members to understand the meaning of the changes currently being implemented. The societies are also concerned about the overheads in the factories to improve members' payments and stocking of the right farm inputs for them. At factory level cash awards and trophies have been introduced to its employees as incentive to ensure proper handling of coffee.

### **3.3.2 Dairy Subsector**

The dairy production had been subsidised by the Government in provision of services like artificial insemination (AI), clinical services and support to dip management. The development of processing units also benefited from guaranteed external loans and/or direct Government investment loans, through Kenya Co-operatives Creameries (KCC), owned and controlled by dairy farmers since 1932 with mandate to collect, process and market milk and dairy products. KCC originally served large scale farmers, but with the Government intervention opened up to small scale farmers who through the formation of co-operatives I have dominated milk production in the country just as KCC has monopolised milk processing and marketing.

When the Government in 1993 decided to liberalise the dairy sub-sector the specific elements were the privatisation of the provision of artificial insemination (AI) and clinical services including dip management, and removal of subsidies to such services, liberalisation of prices, processing, marketing of milk and milk products.

The Kenya Dairy Board (KDB) was to be strengthened to regulate the activities in the dairy industry. For a long time the parastatal has been overshadowed by KCC which falls under it as it did not have enough funds to finance its activities.

With SAPs most societies have to pay for their support services while KCC which monopolised processing and marketing must fight numerous small and medium scale processors and milk hawkers. In control of animal diseases, the impact has been negative as most producers find it difficult to hire the services of animal health professionals.

Price wise the producers have benefited as prices have shot-up, however the real beneficiaries are those living next to big towns where hawkers find ready market after purchasing from farmers. The other producers far away from towns have no choice but to sell to KCC whose efficiency has deteriorated considerably due to stiff

competition and hence large overheads which affect the time and rate of payments to producers.

### *3.3.2.1 Tetu Dairy Farmers Co-operative Society Ltd.*

The Tetu Dairy Co-op Society is about 200 km North of Nairobi and was registered in 1972 with 2006 members. Today it has a total membership of 8328 of which only 2500 are active throughout the year.

The Society has invested in commercial and residential plots apart from those activities related to co-operative milk collection.

The co-operative members and leaders of the Society view the SAPs very negatively. In their opinion the membership of the Society has drastically dropped to slightly less than one thousand; the payment rates have fallen, and the milk intake has also fallen.

According to them, before liberalisation, the Kenya Dairy Board which now has added responsibility to police new participants used to protect them from hawkers and other dealers. The number of new dealers has significantly increased and the Dairy Board does not seem to have the resources and manpower to control them as they infiltrate the market.

The Society's revenue comes from 20 % of milk sold locally while 80 % is sold to KCC. Because of marketing problems KCC is almost five months late in payment to the disillusionment of the members. There is laxity to deliver milk to the society as members cite low and delayed payments.

The leaders feel that the Kenya Dairy Board should be strengthened to provide regulatory functions effectively as the first step to counter negative effects of liberalisation. The society is also setting up a small milk processing plant for their milk to de-link from KCC which they are accusing of being incapable to deliver the services due to competition. The animal health support services like clinical services, dip management and artificial insemination are to be started on private basis.

### **3.3.3 Cotton Subsector**

The Cotton Industry in Kenya before liberalisation was controlled by the Cotton Lint and Seed Marketing Board with the mandate to promote, develop and regulate the cotton industry. The Board had virtual ownership of all cotton produced in the country. All other participants were therefore just agents of the Board.

The total demand is about 120,000 bales while the production is 30,000 bales of which 80 % was produced by the co-operatives. There were 18 ginneries in the country of which 6 owned by the Cotton Board processed 46 % of the seed cotton, 6



ginneries belonging to District Co-op Unions processing 18 % and 6 private ginneries processing 36 % of the seed cotton.

Specific changes brought in 1992 by liberalisation were ownership of cotton to the producer, privatisation of the ginneries and decontrol in the ginning and textile industry, withdrawal of the Board from direct marketing and ginning of the cotton and free market prices of cotton.

Initially, the liberalisation was welcomed by producers as they benefited from prompt payments and better produce prices. The industry has now almost collapsed due to what looks like a cartel within the buyers, mixing of the seed cotton from various ecological regions and poor price dissemination.

#### *3.3.3.1 Kinyaata Farmers Co-operative Society Ltd.*

The Society was registered in 1978 as a farmer marketing co-operative society. The Society had a merchandise store where members were buying inputs on cash and on credit. The inputs were the property of Machakos District Co-operative Union to which it is affiliated.

Before liberalisation the society had no role to play in cotton marketing apart from organising farmers to grow cotton. Advantages before liberalisation were however free cotton seeds, collection of unginned cotton and delivery to the ginnery by the Cotton Board. Machakos Union also used to provide at cost farm inputs, managers, and use of office buildings. The prices were fixed by the Government. With liberalisation, the co-operative society must now provide all the services above or arrange for the services to be provided.

Members of the Society welcomed the changes due to liberalisation due to the fact that their cotton was bought cash on delivery while, previously they had to wait for one year to be paid. The committee members were happy that apart from them owning the cotton, they would employ their own staff, organise planting and marketing of cotton, administer credit facilities and sell to a buyer of their own choice cash on delivery. Financing of the operations was the biggest handicap.

The employees seconded to the Society by the Union were however threatened with job insecurity if not accepted by the committee and in case the society performed poorly.

Co-operative leaders' ideas to counter negative effects of liberalisation are that the farmers and management need to be educated on the impact. Secondly, they need to create a working capital by raising new shares for the society to stock inputs and marketing of cotton.

### **3.3.4 Agricultural Co-operative Unions**

#### **3.3.4.1 Machakos District Co-operative Union**

The Union is situated in Eastern Kenya and was registered in 1972. Currently its operations cover two administrative districts. The affiliated societies are engaged in coffee, cotton, handicrafts and horticulture. The services provided by the Union to societies include bookkeeping, administration, education, transport, and banking services.

In 1988, the Union opened an import and export department to import farm inputs and exporting handicrafts and horticulture. The handicraft section is doing well. The Union also runs a maize mill plant which have good business.

Advantages before SAPs were that the Union used to provide bookkeeping, managerial and other inputs to the members of affiliated primary societies. While the other operations of the Union were not badly affected the Cotton Societies members started selling cotton directly to buyers evading to pay for services and credit facilities advanced to them by the Union. As a result the Union suffered heavy losses and could not extend credit facilities to them. Twenty merchandise outlets were closed, seconded staff from the Union were laid off and the Union was left with the heavy burden of paying its input creditors. Were it for cotton alone, the Union could have collapsed.

The farmers have also suffered because they have no access to farm inputs as they have no cash to buy from other stockists. In fact most of the former cotton growing farms have been converted to growing subsistence crops. The opinion of the farmers still producing cotton is that they are happy of immediate payment. The drawback is that they have no bargain powers with the new buyers. All the societies affiliated to the Union are dormant at present.

Both the producers and co-operative leaders have expressed their feeling of not being aware of what to expect when these programmes started. They now realise that a lot of education for members and leaders is a necessity. The co-operative will also need to improve its working capital base and the employment of qualified and trained staff.

## 3.5 CO-OPERATIVES UNDER REFORM IN TANZANIA

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### **Methodology**

This study is a result of a request from ILO-COOPNET to Co-operative College (CC) to develop a case which depicts the reality of the impact of SAPs on co-operatives, in particular the members, leaders and employees.

A review of current literature on SAP in Tanzania was made. Field visits were done and four societies were visited. These are Marangu East Primary Co-operative Society (MEPCS), Kindi Primary Co-operative Society (KPCS), both agricultural based, Wazalendo Savings and Credit Co-operative Society (WSACCO), and the Kilimanjaro Native Co-operative Union (KNCU). Candid interviews and discussions were held with members (12), leaders (8) and employees (6) of the above named co-operatives.

The leaders included chairpersons, Committee members and employees, i.e. The General Manager - KNCU, Marketing Manager, Secretaries cum Managers of Primary Societies.

### **Acknowledgement**

I am thankful to Mr. Sam Mshiu of ILO-COOPNET for selecting me to undertake this challenge. The case has been developed through the good assistance from the leadership of the named societies and members who were ready to relate their experiences on the topics covered. To them I am thankful indeed.

## **1. BACKGROUND INFORMATION RELEVANT TO THE CASE**

1.1 Kilimanjaro Region from which the case has been developed is located in the north-eastern part of the Mainland Tanzania, just north of the Equator. It has a total surface area of 13,309 sq.km., about 23% of the land is cultivated, 33% is grazing

land while 35% of it is arid, and this includes Kilimanjaro Mountain. 9% of the land is covered by forest.<sup>1</sup> The total area of Tanzania is 945,000 sq.km.

1.2 The population of the region was 1,014,065 by 1988 (570,981 females and 533,084 males) now estimated to be 1.8 million, about 84% of population is scattered on the slopes of the mountain. The population of Tanzania is estimated to be 28 million.

Average population density is estimated at 83 persons per sq.km. vs. national figure of 25.5 people per sq.km. 33% of population are children, while 20.5% are adults above 55 years. Population growth rate is 2.1% vs. 2.8% national.<sup>2</sup> Inflation rate is estimated at 26%.

1.3 The main economic activities of the region include agriculture involving about 190,000 people, dairy keeping and small scale fishing. Dominant foods are banana (plantain), maize, beans and paddy. Regional GDP at 1993 prices was Tshs. 22,163 million. Most able-bodied men, a few women work in Moshi Municipality as office workers, or are employed in the informal sectors (approx. 23,945). Most of the farm work is therefore left to women and children. Land is traditionally owned by men.

1.4 Co-operatives in Kilimanjaro like those in other regions in Tanzania, have been enjoying the monopoly of marketing and input distribution as well as government protection for decades. Despite such protection, which included subsidy and lower tax rates, co-operatives have continuously faced problems of poor management as reflected in embezzlement of funds and overstaffing, inadequate working capital and heavy dependence on borrowed funds, government interference, unpopular legal laws and undefined membership.

Introduction of SAP as a result of among others economic decline and structural weakness of low productivity, erosion of private sector confidence, contraction of GDP, and collapse of social services presented a real challenge to small and medium size enterprises like co-operatives.

Each co-operative society has taken action suitable for its type and activities in place, much however has depended on the calibre of the leadership of the time at the society.

Among actions which have been taken by the societies include: improvement of the management, restructuring and reduction of their operational costs, and

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<sup>1</sup> Institution and capacity building in Primary Co-operative Societies and other groups - Co-operative College, ICA, NORAD/NORCOOP.

<sup>2</sup> 1988 Population Census: Preliminary Report; Bureau of Statistics, Ministry of Finance, Economic Affairs and Planning - Dar es Salaam

establishment of crop purchasing funds to improve their services to members. Others have failed to meet the challenge and have closed business.

At the grassroots level and work places members and workers have started Savings and Credit Schemes or societies as effort to ease their financial problems. The need has been hastened by failure of the existing financial institutions to provide such service and the ongoing restructuring process of the same which has closed several branches located near the people in the rural areas.

To concretise the above move, SACCOs of Kilimanjaro and other primary societies in the region have created a Community Bank by the name of "Kilimanjaro Co-operative Bank" scheduled to start operations by September 1996. This has been viewed as practical and sustainable approach to the establishment of a Co-operative Bank System from bottom up.

## **2. THE IMPACT OF SAPS ON CO-OPERATIVES**

### **2.1 The Situation at Secondary Society Level**

Kilimanjaro Region has always been a reference point whenever one is writing the history of co-operative movement. It is on this land where the concept of co-operation was first practised in Tanzania. It was in 1925 when Kilimanjaro Native Planters Association (KNPA) was established to unite the native coffee growers against Asian middlemen. Eight years later, in 1932, the Kilimanjaro Native Co-operative Union (KNCU), the first Union, was registered in the country with 11 affiliated primary societies. The need for it was a result of spontaneous response of early coffee farmers against oppressive actions of estate coffee farmers and their middlemen in the marketing of coffee. It was documented that as much as 25% of the crop was never paid for due to manipulations with the weighing scales in case of cotton.<sup>3</sup> Perhaps history is repeating itself now under SAP where different kinds of middlemen have emerged.

Today KNCU Ltd is over 62 years old, it has 95 affiliated member societies, mainly agricultural based. The CU has enjoyed a considerable stable period according to its top leadership i.e. the Chairman and the General Manager (GM); but of late, especially since 1990, its survival is questionable.

Indeed the CU leadership and some well informed members at primary society level admit that the introduction of SAP as democratisation of the political scene was also a blessing to co-operatives in Tanzania. It was through the SAP that a new legal instrument for co-operators was instituted; one which allows members of co-

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<sup>3</sup> Co-operatives in the Making: Seidler.

operatives to make their own decisions in the management and control of their societies. This is the Co-operative Societies Act. No. 15 of 1991. The new Act calls for share contribution from members as a condition to allow them to exercise their rights and that a society must appear economically viable to be registered. The new act endorses the voluntary nature of association thus permitting the re-initiation of a genuine co-operative movement.<sup>4</sup>

2.1.2 Trade liberalisation, a main decision of SAP, has both negative and positive impact. Competition resulting from liberalisation has opened opportunities to members to get better services and prices, especially in areas where performance of co-operatives has been poor. Negatively it has led to additional problems on presumably more appropriate small and medium scale enterprises in the formal and informal sectors.

Small scale enterprises have been denied credit as KNCU has so far suffered during the past two years consecutively. A request for Tshs. 5.5 billion crop finance loan was reduced to Tshs. 2.9 billion<sup>5</sup> after 5 months delay during the 1994/95 season. Some of the KNCU members (societies) have closed business as a result of too little crop collection since their members sold to private buyers, because the CU could not get advance money from the banks.

Many useful entities, including co-operative societies' women and youth groups, have been forced to close down their businesses and in doing so displacing a good number of women and youth for gainful employment.

2.1.3 Again before SAP, KNCU provided a wide variety of economic and social services to its members. It distributed basic consumer goods at reasonable and fair prices, i.e. sugar, rice, cooking oil, animal feed, building materials, production inputs and implements, transport, hotel, rice milling, cotton ginning, etc. Competition has forced the CU to abandon most of these services and concentrate on the core activities. To achieve this it had to restructure the Union. This meant reduction of number of departments, merging of sections and retrenching some 150 members of its staff. There is no need to elaborate the impact of this to their families and their dependants.

2.1.4 On the other hand, as one committee member puts it, SAP has forced some sense of efficiency to co-operatives, and they have had to review the basic reasons for their own existence. Hence concentration on those services which benefit

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<sup>4</sup> Co-operatives in Economies under Reconstruction-Country Study on Tanzania, Tarimo, P.N. - December, 1994.

<sup>5</sup> At the time of writing the case: 1\$ = Tshs. 546/=.

members directly, like marketing of coffee and transport of coffee to processing plants.

2.1.5 KNCU has also reviewed its operational costs structure - a positive move towards removing laxity, though in doing so employees suffered financially. Incentive packages which the CU can no longer afford have been removed, e.g. lunch and transport allowances. Apparently, computerisation has also been introduced to improve efficiency in the operations of the Union.

The survival of KNCU and its affiliates seems to rest on the manner of handling its activities, including the marketing activity of the coffee. *Transparency and information dissemination* is a strategy which the CU has to take in its dealing with the members. This is the opinion of the Manager of the Union.

The main activity for KNCU is marketing of coffee, it is also the main source of income for the members. The society has to be able to buy coffee crops promptly, and members must know the price obtained in the auction. For years the CU has enjoyed the monopoly of bulking, processing, curing and liquoring of members' coffee. This is no more the case.

2.1.6 With the introduction of liberalisation, the number of private buyers has increased from a handful in 1990 to 24; last year 1995. "Everybody with cash, even if not knowledgeable of coffee and its qualities, is competing with us" said the General Manager. A few liquorers showed up, but the government banned their operations.

The impact of the above has been devastating. Kilimanjaro coffee has lost its long standing quality reputation abroad, due to poor qualities sold in the market.

For example, some private buyers export consignments which are different from auction samples.

## **2.2 The Situation at Primary Society Level**

2.2.1 As mentioned above, two marketing primary co-operative societies were visited, Marangu East and Kindi Primary Co-operative Societies. A third was Wazalendo Savings and Credit Co-operative Society operating at the Co-operative College (CC).

2.2.2 Marangu has 3,050 members, 20 of whom are females. Kindi has 2,936 members, 50 of whom are females. Wazalendo has 373 members, 105 of whom are females. Share capital for the two marketing societies is 1,000/= per share, and both have a total of Tshs. 4 million worth shares. Wazalendo share capital is estimated at 12.8 mill. and value for each is Tshs. 2,000/=. By any standard the two societies are active and are affiliated to KNCU except Wazalendo Savings and Credit Society.

2.2.3 The two marketing societies have been affected negatively in the recent years by liberalisation. Estimated crop collection (coffee) has been declining year after year since the arrival of private buyers in the early 1990s. Marangu East used to collect an average of 300,000 kgs, this figure has dropped to 105,000 kgs of clean coffee per season. Kindi used to receive 500,000 kgs, now they hardly get 150,000 kgs per season. This means less income to the society. It also means that the members are selling to the private buyers.

2.2.4 Both representatives of the two societies except those of Wazalendo reported incidents of theft of coffee from household, apparently due to presence of many buyers who do not have a system and do not question the source or even the quality of coffee they buy. The societies normally have ledger cards where names of each member are purposely kept to maintain records for amounts of coffee received and in case of second/third payment and deductions which have to be made for advanced coffee inputs or implements or even loans.

The two societies have now failed to collect about Tshs. 6 million from their members who have sold their coffee to private buyers. The members interviewed admitted that many members no longer use insecticides on coffee for they are too expensive (not subsidised as before), and the society cannot loan them any more. A litre of DI, an insecticide, was sold at Tshs/ 2,800/= in 1989, now it is Tshs. 12,800/=. By implication there will be low production and poor quality coffee.

2.2.5 Both societies have a consumer shop except Wazalendo Savings and Credit Society which has a Milling Machine. The shop managers lamented of stiff competition, especially since their members' purchasing power has decreased, mainly due to inflation, low market coffee prices, and the failure of CU to get crop finance on time. The shops are heading for closure.

2.2.6 Both societies visited have Savings and Credit activities while Marangu one is a scheme; the others at Kindi and at Co-operative College - Wazalendo are full fledged SACCOS. Enlightened members of these SACCOS like those of Wazalendo and Kindi have realised that their SACCOS are small banks they can depend on.

Due to economic hardship brought by the liberalisation, high inflation rate and devaluation of the shilling many workers and alike have joined SACCOS for their financial needs. While for example deposits for Wazalendo have increased from Tshs. 2 mill in 1988 to Tshs. 12.5 mill in 1994, those of the two societies have remained stagnant, an indication of the inability of the members to save, especially due to low coffee prices. Some members at MEPCS have withdrawn their shares and membership from the scheme. We have dormant members, and the number is increasing, said the secretary. Others who have common activity like liquor brewers, petty business women, use local arrangements known as UPATU, where each



member of the group of say 4 or 6 receives an equal amount from each member every month. In the group of 4 one member receives from the three partners an amount set by the group. This enables them to solve their demanding financial problems.

2.2.7 Asked what she thought was the most noticeable effect of SAP on her society, the Chairperson of WSACCO at CC stated that for the past four years since 1992 members (female particularly) have been borrowing not for investment as it used to be in the past, but for family needs, i.e. food, medicine, and education. A fund set aside as emergency loan fund has been increased from Tshs. 200,000/= in 1990 to Tshs. 600,000/= each month. This is another indication of increasing financial need to meet day to day life for members. In addition, almost half of CC community has joined the society because, unlike the commercial banks, the society provides loans at lower interest rates of 1% each month and there is little or no delay in the processing of loans. Recently (1995), the society has provided a loan to a member of up to Tshs. 500,000/= vs. in 1980 when only 20,000/= could be borrowed. The banks lending interest rates are 27% each a month.

### **2.3 Views from Members, Leaders, Employees**

#### Members:

There were mixed feelings about SAP. Of the twelve members interviewed four retired government officials were positive on SAP. "It pushed our government to come up with a popular legal law on co-operatives, one which accepts co-operative principles. Competition which has ensued is a healthy situation, for it created challenges and improves efficiency. We get better services than before. The leadership of CU never visited us before, but now they are with us trying to learn our problems."

Others (the rest 8) saw SAP as being a devil. "We do now know what they mean by SAP or even the new legislation on co-operatives. What we know is that private buyers we have tried for years to keep away are now allowed to take advantages of our position. Once they buy we don't see them, no second payment, no other services from them. What we know is that we are paying more for medicare, education, transport, food." What is the government doing?

#### Leaders (Chairpersons and Committee Members):

We have a hard time to explain to our fellow members the good side of SAP for them to accept things and take the challenge. We don't know much about it. We need to have seminars. We need to tell the truth and we need dedicated members. Our institutions are at the edge of collapsing as more and more members desert us and sell to the private buyers. Perhaps they do not know of their rights and obligations as

members, because it is illegal for members to sell to other buyers unless they resign from their societies.

Employees:

"The new legislation does not protect co-operative employees. A good number of our colleagues have lost their jobs, and their families are suffering. We do not know the next move. Members have kind of lost confidence in us, maybe because we are not able to provide prompt services like crop procurement funds, but some of their problems are beyond our control."

### **3. WHAT SHOULD BE DONE**

Admittedly, SAP has had positive and negative impact on the members and their institution as related in the case. Members and leaders interviewed have the following to say:

- Members of co-operatives should be educated on the new legislation so that they know and are empowered to make the right decisions. The co-operative movement and CC should take up the challenge.
- The members and community at large should be made aware of the SAP and its implications so that in one way or another they act positively towards implementing the programmes.
- Bearing in mind the importance of cash crop as foreign exchange earner, coffee included, marketing arrangements should be reviewed and take into consideration views of the movement as producers (small-scale farmers) and the buyers on decisions of buying and selling points, documentation and provision of extension services for improved quality production of the same.
- Special programmes should be developed to train the co-operative leaders in entrepreneurship and business management in a competitive environment. The government and donors should assist and use the training institutions for such programmes.

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### **Acronyms**

CC .....	Co-operative College
COOPNET .....	Co-operative Network
CU .....	Co-operative Union
GDP .....	Gross Domestic Product
ILO .....	International Labour Organisation
KCU .....	Kagera Co-operative Union
KNCU .....	Kilimanjaro Native Co-operative Union
KNPA .....	Kilimanjaro Native Planters Association
KPCS .....	Kindi Primary Co-operative Society
MEPCS .....	Marangu East Primary Co-operative Society
SAP .....	Structural Adjustment Programme
SACCOs .....	Savings and Credit Co-operative Society
Tshs. ....	Tanzanian Shillings
VUASU .....	District Union for Mwanga and Same Districts
WSACCO	Wazalendo Savings and Credit Co-operative Society

### **3.6 THE IMPACTS OF STRUCTURAL ADJUSTMENT PROGRAMME ON CO-OPERATIVES AND THEIR REACTION STRATEGIES IN ZIMBABWE**

*By*

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Mr. Chairman, let me start by thanking you for inviting me to present a paper on the Impact of Structural Adjustment Programme on Co-operatives and their Reaction Strategies in Zimbabwe. Today there are about 2,300 co-operatives in Zimbabwe engaged in all sectors of economy except energy. There are about 75,000 individual members who have created jobs for themselves and are feeding themselves too. Apart from this great step they make or contribute in accelerating economic growth of Zimbabwe, co-operators have children and other dependants who are old or disabled. At an average of six dependants per member, it is estimated that there are about 450,000 people who are solely depending on income generated in co-operatives. The majority of the beneficiaries are women, children and the old who are part of the worse marginalised people in the society.

It is very important to understand that most co-operatives in Zimbabwe are formed by people with limited resources, level of education and opportunities. This demands that the development of human resources in co-operatives be given serious consideration right from the beginning and should be a continuous process. Most African governments have failed one way or the other of redressing the plight of the poor. If co-operatives are organised and trained in various managerial skills they will be able to utilise the limited resources at their disposal before soliciting external ones. In this regard co-operatives will be required to demonstrate their strengths against existing Government policy on co-operative development and the challenges of the Structural Adjustment Programme.

The Zimbabwe National Co-operative Federation held a workshop in Harare where it demanded that the government reviews its existing policy and formulates one which will create an environment conducive to co-operative development. Such a policy should provide for financial, material, technical and legislative support to co-operatives, so that they can compete fairly with established enterprises. Unfortunately before this policy is tested, a new form of ESAP from abroad is put in place without taking cognisance of the needs of the people. In this regard it is clear

that the government policy on co-operative development has now fallen vague and outdated.

### **OBJECTIVES OF ESAP**

The long-term objectives of ESAP is said to be enhancing the status of the poor and ensure the economic growth of the country. This is characterised by sudden high unemployment rate, high level of illiteracy rate, mortality rate, poor living standards, etc. The objectives and instruments of the economic reform programme in Zimbabwe are as follows:

<b>Objectives of Economic Reform Programme</b>	<b>Instruments applied in Economic Reform Programme</b>
<ul style="list-style-type: none"> <li>• To reduce a disequilibrium in the balance of payments</li> <li>• To reach and maintain a long-term equilibrium between public spending and income</li> <li>• To accelerate the development process in order to reach sustainable growth with equity</li> <li>• To reduce inflation</li> <li>• To promote employment and alleviate poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange rate management</li> <li>• Monetary policy measures</li> <li>• Fiscal policy measures</li> <li>• Trade liberalisation</li> <li>• Deregulation</li> <li>• Privatisation</li> </ul>

Taking into consideration the environment in which co-operatives operate, it is clear that the objectives and instruments of economic reform have positive and negative effects. The situation now depends on the type of the co-operative sector. Sometimes it also depends on government economists involved in drafting economic reform policy, whether co-operatives as marginalised societies have been considered in the programme.

### **HOW CO-OPERATIVES IN GENERAL HAVE BEEN AFFECTED BY ESAP**

The year 1994 opened with exchange rate reforms in Zimbabwe. An initial two-tier exchange rate from the Zimbabwe Dollar, which was scrapped by the middle of 1995, and the phasing out of many currency controls have moved the currency close to convertibility. These measures are aimed at improving the country's investment climate and enhancing exports.

The Ministry of Trade and Commerce has been restructured as a result of exchange control reforms. Allocation of foreign currency is now a thing of the past. Foreign exchange and exchange controls have been largely deregulated.

Economic theory holds that devaluation is primarily necessitated by persistent imbalances in the balance of payment. This means that foreign currency earnings which the country receives from exports are persistently less than the amount of imports expenditure. This theory is valid as long as it is true that devaluation boosts the country's exports as they become cheaper and therefore competitive on foreign markets. This depends on whether the country's exports are in demand on foreign markets and whether other countries producing similar goods will not be in position to make their own even cheaper in competing on foreign markets. Theory assumes that buyers will always be prepared to buy one's cheapened exports.

Devaluation usually works more effectively if the devaluing country is industrialised and boasts of high quality value-added manufacturers. Zimbabwe does not fall into this category. Zimbabwe is a developing country whose economy is dominated by production of primary products which are exported as raw materials for the consumption of the industries of developed countries. The country exports iron and steel, but does not manufacture machinery for export. It exports many kinds of industrial minerals and agricultural products but does not have the appropriate technology and qualified technicians and engineers to process the industrial minerals that are produced. This means these countries which import Zimbabwe's cheap unprocessed exports process these raw materials turning them into value added manufactured products to be re-exported back to Zimbabwe as more expensive imports. For example when the country exports iron, copper and chrome the importers process these raw materials to produce cars, which will be exported back to Zimbabwe as imports to be paid for in foreign currency.

During the year of ESAP many manufacturers took positive steps towards becoming market competitive and they utilised the benefits of ESAP to fund the importation of new plant and machinery and to access state of the art technologies. This was short lived, for the monetary and fiscal policies embarked upon by the government and the Reserve Bank to counter the dramatically escalating inflation, resulting in interest rates rising to levels which were prohibitively high and destroyed the viability of capital expenditure. Inflation fell from almost 50% in December 1992 to 22% a year later, while interest rates declined from over 40% to less than 33%.

Throughout 1994 to about the middle of 1995, inflation has been averaging about 22%. Prospects for 1996 largely depend on the agricultural season. Recurring drought conditions have complicated macro-economic management.

The **housing co-operatives** benefited from the high interest rates on their savings. During the period the cash strapped building societies were not lending money, the societies in this sector invested their money. With the improvement in the availability of cash from building societies from about the middle of 1994, more funds have become available for the building of houses but unfortunately only one building society out of a total of four has proved sympathetic to co-operatives. This is actually a newly established building society. The long established ones shy away from doing business with the housing co-operatives, a bad situation considering the rate at which the housing co-operative sector is growing and the enthusiasm for the low-income people to save for decent accommodation.

However, the prevailing general shortage of money-lending to small business people is not a priority. Money allocated by the Reserve Bank is terribly inadequate.

**Savings and credit societies** which have been exploring possibilities to establish village banks and encourage savings in rural areas have set up pilot projects in outlying parts of the country with assistance of some Canadian agencies. Their success is yet to be assessed.

The Government had embarked on an exercise to reduce the public service. Retrenchments and scheme of early retirements have been introduced. This had also affected the MNAECC with the result in reduction of manpower which means reduction in support for the movement.

With respect to **agricultural co-operatives**, until recently farmers have been guaranteed markets and stable prices. Although the agricultural marketing parastatals have been commercialised they will not be withdrawing completely from marketing of major food commodities, but the farmers are eager to be much more directly involved in matters affecting the movement of their agricultural produce. Farmers will, however, not be guaranteed a market nor assured of viable prices, especially if there is surplus production. The situation has been made more uncertain for farmers as prices of inputs have been escalating since 1991 when the ESAP was introduced. Furthermore, cash-flow planning negotiations will have to take into account a new range of uncertainties, i.e. extended marketing periods and delays in payments.

A significant element of **trade liberalisation** is the progressive relaxation and ultimate elimination of import regulation. In 1991 the *Open General Licence System* which was only for importations for own-use by travellers, was radically extended to include a wide range of goods, although at the time of its extension that range related primarily to raw materials and allied manufacturing inputs. At present all but few goods can be imported under the Open General Import Licence.

As Zimbabwe manufacturers were confronted by the competition of imported products which they could not in most cases combat, they either sought government's protection or endeavoured to access new technologies and develop export markets which offered comparative advantages to them. On the issue of protection two arguments have emerged.

- Producers suggest that the government has a responsibility not to allow imports to place the survival of local enterprises in jeopardy. The failure of local enterprises prejudice employees, suppliers, stake-holders and the fiscus, and that prejudice should be avoided by either the imposition of import barriers or in the alternative, the levying of import duties upon the imported products at all levels, as this then renders that product non-price competitive.
- The importers and consumers on the other hand, argue that they are prejudiced if they are deprived of access to imported goods or are obligated to pay inflated prices which are over and above those that would prevail if the local manufacturers were not protected. They contend that local industry protection entrenches production inefficiencies and lower standard and raises living costs.

The Zimbabwe government recognises that both arguments have substance. It responded by allowing local industry some modest tariff protection, which would endure for a limited period during which time the industrialists would restructure their operations so as to be competitive once the protection is withdrawn.

During the first years of the ESAP a tariff committee was established within the Ministry of Industry and Commerce. It was responsible for granting protection in instances considered deserving on the basis of either an increase in the rate of duty on the imported product to an extent as would fix the selling price of that product at the same level as or above that of the locally manufactured products, or a decrease in the duty on raw material import of the manufacturer in order to diminish total production costs, or a permutation of both measures. In granting protection, government made it clear that it was not entrenching production inefficiencies or prejudicing the consumer indefinitely and that therefore manufacturers benefiting from such protection would need to arrest inflation and the general economic decline caused by the drought drew back progress. As a result, few industries have reached the point where they can sell their products in competition with imported goods.

For some time government has been resistant to most appeals for local market protection recognising the risks of continuing entrenched production inefficiencies and high costs to the consumer. However, in December 1993 government drastically increased certain tariffs and then soon thereafter suspended some of them. Concurrently, the Open General Import License negative list was modified to include textile and clothing.



Zimbabwe applauded the recent conclusion of the Uruguay Round of Negotiations on the General Agreement on Tariffs and Trade (GATT). In the medium and long term its membership to GATT will preclude tariff protectionism. It is hoped that implementing the treaty and the birth of the World Trade Organisation will consolidate and complement the benefits of the ESAP.

In the framework of Zimbabwe's deregulation policies, price controls on basic commodities were eliminated and subsidies were phased out. In terms of the Control of Goods Act and regulations made thereunder the government could fix the prices at which certain goods could be sold. The prices were fixed for the producer, the wholesaler and the retailer. Commodities like bread, mealy meal, sugar, milk, motor cars, cooking oil, cement and fertiliser were all controlled. This is no longer the case. The market forces now determine the prices, with consumer resistance being very strong at times.

Every year for ten years since independence the government fixed the percentages by which salaries could be raised in both the private and public sectors. Maximum and minimum levels for wages in the main sectors of the economy were set by the government. The Industrial Conciliation Act which was replaced by the Labour Relations Act of 1985 and regulations made thereunder were used for this purpose.

The government no longer fixes wages for other sectors except the farm labours and the domestic workers. There was a major amendment in 1992 to the Labour Relations Act which eliminated most of the controls that government had on labour relations especially in matters of discipline. Wages are now a matter of collective bargaining.

In the past, the Zimbabwe government developed plans and carried out consultations for the privatisation of some parastatals. The transport parastatals (railways and the airline), mining parastatals and some of the marketing boards have been targeted for privatisation. The structure of the agricultural boards was changed recently so that they can each have its own board members. This was done in order to increase accountability and to ensure viability.

## **HOW THE MAJOR TYPES OF CO-OPERATIVE ORGANISATION HAVE BEEN AFFECTED BY THE ESAP**

### ***SAVINGS AND CREDIT CO-OPERATIVES***

ESAP has brought to this sector a spate of retrenchments, especially within the urban-based co-operatives. With rising wage bills and the general hardships faced by employers, employees have either lost their jobs or have had to work part-time. Between 15,000 and 209,000 people have been losing their jobs every year for the last 4 years. As a result people generally are finding it difficult to meet their

obligations. In addition with wage and salary increases falling far short to the inflation rate, real purchasing power of money had declined rapidly leaving the worker without much to spare for saving with the co-operatives. The result has been slow growth, limited services to members, loan delinquency and a decrease in accounting and financial reporting.

A survey conducted in 1992 showed that 92% of co-operatives in this sector had less than 1000 members each with average total savings of Z\$95 per members. With total savings of \$9,500, and considering that a member can borrow up to three time his saving a society will not be able to lend to many members. The capacity for these societies to provide loans - their main reason for existence - has become very limited in an economic climate where the need to borrow has risen.

The inability to provide loan services is compounded by the non-repayment by some members. This problem has affected all societies, the big and the small, the community-based and the employment-based co-operatives equally. Limiting the amount of loans that can be given to individual members has been the immediate reaction to this problem.

A laxity in accounting and financial reporting is being experienced in most societies which are not maintaining their books of accounts or presenting regular financial reports because of small size of the sums collected. Societies felt a reduced duty to account, failing to realise that this can only have a negative effect on any attempts societies may wish to make to attract new members.

The National Association of Co-operatives Savings and Credit Unions of Zimbabwe (NACSCUZ) is a young organisation which is still experiencing problems in consolidating itself, and the challenges of the ESAP will test its strengthened ability to survive. To deal with these problems, a five year development plan was embarked upon in 1993. Its major thrust is the strengthening of the sector by developing the capacity to save and mobilise financial resources. The programme is also aimed at revamping, and in the process improving the sector.

Societies are being encouraged to form groups of not less than three hundred people to ensure viability. Model co-operatives of about ten in each region are to be established and to be provided with professional services ensuring the adoption of market-oriented approaches. The greatest asset in this exercise is the development of human resources, people who can see tremendous opportunity in the present social and economic problems and who can dedicate themselves to finding solutions for these problems.

### **MARKETING AND SUPPLY CO-OPERATIVES**

One development which is of critical importance to all farmers is transformation already referred to in discussing the agricultural marketing boards. Up until now once a farmer had harvested his crops, all he had to do was to deliver his produce to the nearest depot and the price were fixed and guaranteed although not in anyway favourable. Prices were fixed in consultation with government, which often took political rather than economic considerations into account. In order to be competitive and to operate on commercial lines, the marketing boards realise that they have to cut unnecessary expenses, for instance, storage-costs. As a result, the farmer and the food processor will be brought closer, allowing contracts for future crops.

The challenges require enhanced business skills, improved market information and increased collaboration with the government agencies and other market participants. The marketing boards now have to operate with a profit motive, and guaranteed market outlets, and the predictable prices of the past are disappearing. Producer prices for most crops are going to be negotiated and this is where co-operatives need to strengthen their institutions and represent their members fully, or risk further marginalisation by other players.

Apart from this critical development, the prices of inputs such as seeds, fertilisers, pesticides and equipment have risen drastically and continue to do so. Transport costs have also rocketed. This is exacerbated by the unavailability of loans to this sector caused by unreliable repayments. The AMSC is basically being continually challenged to work out strategies to cope with the difficulties created for its members by the ESAP.

Diversification of crops is encouraged with emphasis on drought resistant crops. Possibilities of introducing irrigation schemes are also being investigated. New methods of tillage to increase the yield per hectare are being introduced, especially in the wake of the drought which saw the death of traditional draught power i.e. cattle and donkeys. Emphasis is to be placed on member-controlled and member-serving primary co-operative societies (the strength of a genuine co-operative movement) which will be able to put the necessary pressure on the secondary and apex co-operative societies to serve their interests through member-oriented business service and advocacy for an environment conducive to co-operative development.

### **COLLECTIVE CO-OPERATIVES**

Collective co-operatives are inter alia engaged in agriculture, manufacturing, building, transport, arts and crafts, retailing, security services, fishing, and mining.

The problems faced by the mining, fishing, agricultural and consumer co-operatives dealt with elsewhere in the paper extend to all collective societies. Competition with multinational enterprises, repeated rises in the costs on inputs, stockfeeds and raw materials, the high cost of borrowing and limited access to credit facilities are some of the major problems faced by collectives as a result of ESAP.

For the manufacturing sector, the rise in interest rates meant a sharp decline in availability of credit both for working capital and for investment purposes. The modernisation of machinery in order to meet demand fell behind, while the established companies managed better to modernise and keep ahead of the competition. Where loans or overdrafts were obtained from the bank, the interest rates were such that the societies found the burden of borrowing un-affordable.

The security co-operatives which were beginning to establish themselves were also hit by the adverse lending environment, making it difficult for them to engage in new investments and expansion projects. Because of the increase in prices, they failed to acquire vehicles suitable for use in the provision of services to banks, resulting in their services being confined to the guarding of properties. Transport co-operatives likewise failed to replace their fleets for vehicles with bigger, newer and more efficient vehicles.

In response to all these problems, OCCZIM has set a Business Development Unit staffed by technical experts who give expert advice to co-operatives. The unit is also responsible for boosting co-operatives' marketing strategies. Negotiations are currently taking place between OCCZIM and financial institutions for the conversion of overdrafts into long-term loans. OCCZIM is also exploring the establishment of a fund from which money can be borrowed cheaply or alternatively precipitate the establishment of a co-operative bank.

### **FISHING CO-OPERATIVES**

Of all the sectors in co-operatives, the fishing sector is the only one to register success for a while as a result of ESAP or the 1992 drought. With the rise in the cost of living as a result of the rising prices for consumer goods, people's lifestyles changed considerably and one of the characteristics of this change is a switch from meat to fish. Fishing co-operatives operating in dams and lakes which did not dry up during the drought registered significant growth as a result of increases in sales. Kapenta became the cheap substitute of meat. However, fishing co-operatives have had to contend with competition from bulk importers of cheap *mackerel* flooding the Zimbabwe market from Namibia. This is another result of the deregulation of the economy. The fish is imported fresh and can be afforded by most Zimbabweans who used to afford meat. The importers are also importing the same fish dried and this

has widened their markets and posed a real threat to kapenta fishing. The problem of under-capitalisation affect fishing co-operatives. Recurring droughts also threaten to kill this sector.

### ***MINING CO-OPERATIVES***

The mining co-operatives have so far been fortunate in that they have been relying on the ZMDC for almost all the support services they require. These included even the provision of plant and equipment, transport and professional advice. With the *withdrawal of these services by ZMDC*, mining co-operatives have been forced to fend for themselves, and this calls for the employment of right people to afford the services they require. The formation of unions to take over all the functions presently being performed by ZMDC is being encouraged.

A slump in world prices has added to the woes of this sector, and this is particularly so with ferrochrome, which is one of the major minerals produced by co-operatives. This slump has even forced companies to cut production, reduce labour, and postpone any capital development.

### ***CONSUMER CO-OPERATIVES***

This sector is being hit hardest by the decline in the purchasing power of the Z\$ as a result of inflation. The earnings of an ordinary Zimbabwe worker have to be stretched to cover basic needs whose prices have gone up and still hope to have some money left over for luxuries. With deregulations which resulted in the decontrolling of prices, the prices of basic commodities like mealie-meal, bread, sugar and milk rose sharply. This was also a direct result of the discontinuation of subsidies on the commodities by the government. The 1992 and 1994-95 drought worsened the situation in that whereas ordinarily families in the rural areas provide for their own food and some of their necessities from their agricultural produce, the drought made this impossible. The breadwinner had to provide for everything and this meant less money to spend on luxuries. The re-introduction of school fees and payment for health services will further erode the buying capacity of the people.

Most consumer co-operatives operate on marginal cost-price bases and realise marginal profits. As a result they face stiff competition from big companies which are able to offer lower prices. In fact, in one suburb a big company established a big shopping complex forcing 118 consumer co-operatives out of business. Loan facilities being limited, these co-operatives cannot buy in bulk and, in any case even if they obtained loans, this would make their goods even more expensive and un-competitive.

With deregulation, many people have been able to purchase cheap goods from neighbouring countries for resale on the Zimbabwe market. This has happened on such a scale that, where textile goods are concerned, the local textile industry has been adversely affected, leading to widespread retrenchment. Even imported second-hand clothes have become attractive to the cash strapped consumer.

OCCZIM has been trying to negotiate with financial institutions on behalf of its members for loans to enable their members to take advantage of the discounts offered by wholesalers for bulk purchases. There is a general realisation that the small business sector must be promoted since the present economy is unable to offer employment to about 300,000 school leavers per year. It is reported that only about 20,000 to 30,000 school leavers are being absorbed annually in gainful employment.

The good rains which fell in 1993 have made some difference. According to the Retail Association of Zimbabwe, the improved harvests have improved retail sales by about 29%. According to that association, sales had plummeted by over 25% as a result of the ravage of the 1992 drought and the rampant prices hiked as government eliminated subsidies and decontrolled prices of many commodities. The 1994-95 drought has further worsened the situation.

### ***HOUSING SHOs***

The monetary policies prevailing since the early 1990s have resulted in a shortage of money. Building societies, whose main function is to lend money to potential homeowners, were in many cases obliged to stop lending. Because interest rates on savings were higher in other financial institutions, this resulted in a drain of funds from building societies as people went for the more attractive rates of interests offered elsewhere. The effect of all this on the housing self-help sector was stagnation. Their funds accumulated in the banks and earned interest which, however, is taxable at the rate of 30%.

Coupled with this problem is the general rise in the cost of building material. Shortages in the materials have also retarded growth in this sector. At the end of 1993 however, building societies resumed lending, but the rate of lending is far outstripped by the demand, which is estimated to be Z\$7 billion to satisfy the national needs. Very little of this lending spills over to housing co-operatives.

### ***INFORMAL SAVINGS CLUBS***

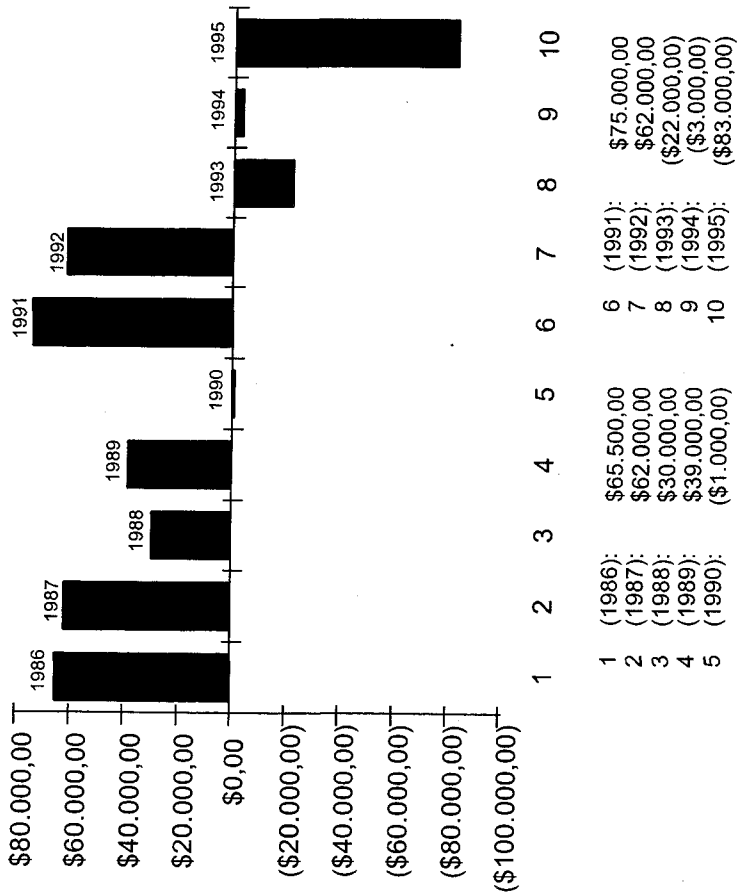
With the harsh economic climate prevailing in the country, it has become almost impossible for individuals to make meaningful savings, and it has become even more difficult to invest the savings. The self-reliance projects which are meant to generate

income for savings are facing increasing competition from the formal sector. The good infrastructure of the formal sector means that there are few markets that can be reached by large-scale producers.

*The high level of local industrial development means that there are few products not already available and even fewer that can be produced by small-scale businesses more cheaply than by the large-scale producers. The competition is getting stiffer with increasing trade liberalisation as implemented under Zimbabwe's ESAP. This of course benefits the consumer but makes the generation of sustainable employment in the informal sector particularly difficult. It is not possible to assess to what levels savings have dropped because no data have been available from this sector. It is reported that the emphasis in this sector has mostly been a social rather than a economic one. For this, statistics relating to the increase or otherwise of savings have not been compiled.*

**PROFITABILITY**

Schedule # 12 - Chitsva Coop - Profitability Chart for the Past 10 Years





### 3.7 SUMMARY OF PLENARY DISCUSSIONS

Adjustment policies in Africa are based on assistance policies and often are not taking into account the prevailing situation in the countries. The concept, implementation and impact forces governments to very short-term planning. Although nationals are expected to participate in these programmes, capacities are still lacking to implement them. This fact also leads to some resistance on the side of the elite, which often does not seem to be convinced of adjustment policies. In addition, there is no clear idea about the objectives and direction of adjustment.

Co-operative organisations, too, have to make necessary adjustments to survive in the new more competitive environment. Former state-controlled and "fake" co-operatives tend to disappear, and new types are emerging. Co-operative organisations are well suited as implementers as they are near to the people.

The former Ministry of Co-operative Affairs in Zambia was replaced by a mere co-operative section in the Ministry of Agriculture. The co-operative movement even prefers to be treated like all other companies, i.e. to fall under the Ministry of Commerce, thus, also reducing the role and influence of the Registrar.

In Kenya, the competitiveness of co-operative organisations is still weak. Although having been involved in preparing the new Co-operative Act, the movement fears that some provisions are too radical for co-operatives.

Several commodity based co-operative apex organisations in Tanzania are in the process of disappearing because of strong competition of other competitors. However, commodity markets are not yet completely liberalised, so that some co-operative unions can export directly, thereby earning foreign currency.

Member education in Zimbabwe is still inadequate. Therefore, committee members can still perceive co-operatives as their own property.

## 4. TOPIC II:

### REORIENTATION OF CO-OPERATIVE ORGANISATIONS

#### 4.1 REORIENTATION OF CO-OPERATIVE ORGANISATIONS: ROLE, POTENTIAL AND CONSTRAINTS OF CO-OPERATIVES IN AFRICA TODAY - A VIEW FROM GERMANY

By

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##### 1. INTRODUCTION

In Africa, working together in groups and helping each other where the forces of the individual are too weak for coping with the problem, and being governed by social control, are age old traditions.

New forms of co-operation based on principles like open membership, equal rights and democratic control, on written laws and legal rights and duties, guaranteed and enforced by the state, were introduced in Africa at the beginning of the 1930s by the British colonial authorities. These new forms of co-operation following European models had various effects. On the one hand, co-operatives were used to introduce new and to improve existing production methods in agriculture, to provide storage, transport and processing facilities, to organise thrift and loan systems and most of all to familiarise the population with the working of democratic institutions, especially during the years after the second World War.

On the other hand, co-operatives were used by the colonial powers and later by the independent governments, to control the production and marketing of cash crops, to distribute inputs and scarce commodities, to channel development assistance and loans to the recipients, to extract surplus for financing government tasks and generally for implementing their development programmes.

##### 1.1 Need to Correct the Negative Image of Co-operatives

Over the decades during which state-sponsored and state-controlled co-operatives existed, their performance deteriorated for various reasons:

- frequently changing government policies,
- unrealistic expectations,
- use of co-operatives for non-co-operative or political goals,
- ever increasing power of the government machinery for co-operative development and supervision without providing the funds and staff to exercise such power effectively.

Government control covered co-operatives like a cobweb. Surplus was usually siphoned off by levies or by excluding co-operatives from income-generating activities like export of cash crops, reserved for parastatal organisations and marketing boards. Members of co-operatives received little for their produce they had to deliver to co-operative collection points and had to wait long periods before being paid.

In the eyes of the common people co-operatives appeared to be an extension of government, others saw them as inefficient and corrupt organisations in which the leaders and government officers connived to enrich themselves.

Still others experienced co-operatives as poorly managed organisations, unable to motivate active member participation. These state-controlled co-operatives continued to exist due to lack of alternatives, due to privileges like tax exemptions, exclusive rights of selling inputs and collecting cash crops and due to government's endeavours to keep them alive.

This negative scenario of the average state-controlled co-operative produce marketing societies for cash crops or state-initiated consumer co-operatives prevailed, although there were and still are also many positive experiences of self-reliant, autonomous co-operatives, with active membership and skilled management, like many credit unions, co-operatives of producers of food crops, handicraft co-operatives etc.

When state-controlled structures which were co-operatives only by name, collapsed or will collapse during structural adjustment or are restructured into member-oriented and member-driven self-help organisations, it may be possible to shed the bad image that co-operatives closely associated with the state have earned themselves in the eyes of politicians, donors of development aid and of the general public.

## **1.2 New Start on a Solid Basis**

After decades during which government and donors asked themselves how they could use co-operatives for their plans and during which the slogan was "How co-operatives help you?", it is time to ask the right question: "How can people help themselves by mutual assistance in organised groups?" Co-operatives work best and

can be successful if they follow clear rules as recently set out by the International Co-operative Alliance (ICA) Centennial Congress in Manchester:

"Co-operatives are built on members' resources to meet members' needs. Co-operatives are member-driven organisations as opposed to investor-driven organisations. They have to serve members first or members only if they want to encourage active member participation."

This means in clear terms:

- Special benefits for members only,
- no business with non-members,
- exclusion of inactive members.

The principles of the ICA include two guidelines which are of particular importance for a new start of co-operatives in times of structural adjustment:

- education of members, leaders and employees,
- co-operation among co-operatives.

Teaching members how to use their newly acquired rights and responsibilities and teaching co-operative leaders how to link up with other co-operatives to strengthen their position will be essential for success of co-operatives both as social and economic organisations.

## **2. NEW ENVIRONMENT UNDER STRUCTURAL ADJUSTMENT PROGRAMMES - CHANCE OR DANGER FOR CO-OPERATIVES?**

The changes of the political, legal, administrative, economic and social environment under structural adjustment policies affected co-operatives in different ways. For state-controlled co-operatives, which have relied heavily on state support, the new conditions introduced by structural adjustment programmes call their future existence into question. For autonomous co-operatives the new environment constitutes a positive challenge and opens new chances.

### **2.1 Dangers for Existing Co-operatives**

For state-sponsored and state-controlled co-operatives, phasing out of government involvement in economic and co-operative matters certainly leaves a gap. During the times of government control, such state-supervised co-operatives had been given tasks to carry out and loans to finance their installations and operations. They were guided and often directed and told what to do and when. Their staff had learned to administer government programmes but not to manage an enterprise in a competitive market. Some of the staff of co-operatives had been seconded from co-

operative departments, having more the outlook of a government official than of a development entrepreneur.

After deofficialisation, deregulation, liberalisation of the markets and encouragement of private initiative the questions are:

- What happens to co-operatives depending on government subsidies or privileges, if these subsidies or privileges are cancelled?
- What happens to old debts incurred by order of government, are they co-operative debts or government debts?
- What happens to the old staff in co-operatives with their mentality of administrators rather than of managers?

Are such co-operatives prepared to face the new challenges of competition? Are their leaders willing and able to phase in where government phased out? Who can convince the members of such state-controlled co-operatives that they have to change their attitude towards their co-operative and to make efforts to turn their co-operative into a profitable business operation?

Most of these co-operative structures, which were kept alive artificially by constant allocation of government or project resources, will not be able to cope with this mental and conceptual change and accordingly, they will cease to exist, their members will lose their supply, marketing and storage facilities as well as their share contributions and may develop bad feelings against co-operation in whatever form.

Apart from the hardship this will cause to many individuals and families, this destruction of old, redundant or dormant structures will also have positive effects. It is what Schumpeter calls "creative destruction", making room for new, more dynamic and viable organisations.

## **2.2 Chances for Reoriented or New Co-operatives**

The structural adjustment programmes do not change the economic, administrative and legal environment as much and as soon as some might have imagined. It takes time to reorient people and institutions, to overcome the reluctance of persons still rooted in the old state-dominated and bureaucratic system, to make a new start and to redistribute power, influence and wealth.

Some problems will not be solved by structural adjustment programmes but continue to exist in different forms and with different actors, e.g. the markets are not really liberalised, autonomy of co-operatives and other self-help organisations is not really increased, persons are afraid or unprepared to claim their newly acquired legal rights. Yet, the climate has changed clearly in favour of co-operatives.

For the first time in decades, co-operatives are allowed to develop at their own speed, to adjust to a changing environment according to their ability. Co-operatives are allowed to play their classical role, namely to pool the resources of their members, their demand in inputs and supply of produce and to negotiate favourable conditions for groups of producers or consumers, which the individual could never obtain.

Instead of administering government or donor programmes, co-operatives under structural adjustment have to act like enterprises and co-operative leaders like entrepreneurs. They must find the best possible sources of supply for their members and new markets for their members' products. Co-operatives have to learn how to work together effectively and in a disciplined manner for their individual and mutual benefit.

They have to develop a sense of cost effectiveness and acquire managerial skills.

There are new chances for co-operatives, however, the members and their elected leaders and paid employees must be ready to use them. This requires new qualities on the part of members, office bearers, and staff.

The chances of co-operatives to turn themselves into autonomous business organisations working for the benefit of their members can only be used, if the members learn how to take independent and right decisions, how to assess risks and how to elect qualified leaders. Success will depend on whether they learn and understand the rules of the new game. These rules include the chance to win and the risk to fail.

Co-operative leaders will have to learn how to activate member participation at all levels, i.e.:

- in goal setting,
- in funding joint operations,
- in using joint facilities,
- in keeping social contacts,
- in mutual information and education,

which are requirements for effective member control.

Where the government-controlled support structures have collapsed, the co-operatives have to work together on regional, national and international levels, to establish their own support system, which may be small and weak in the outset, but will grow, if the services they offer to their affiliates are good enough to be bought by co-operators or other customers.

Government can use the chance of structural adjustment to free itself from the burden of over-staffed and often ineffective support, audit and supervision machineries.

It can contribute greatly to co-operative development by offering a firm but liberal legal and administrative framework for co-operatives, which respects the autonomy and independence of co-operative societies, as stressed by the ICA and by the ILO in their respective declarations.

Instead of granting privileges and subsidies to co-operatives, the state can facilitate co-operative development with a competition law that protects co-operatives against unfair practices and a tax regime that takes account of the particular features of the co-operative form of doing business, e.g. treating patronage refund to members in proportion to business done with their co-operative as operating cost of the co-operative enterprise rather than as profit distribution.

To sum up this point, co-operatives have chances to develop better under structural adjustment programmes than in the past, because in a liberal market economy there will be a greater need for co-operatives and co-operatives can play their classical role that made them successful in Europe and in other parts of the world:

- to correct market deficiencies,
- to pool members' resources, supply and demand,
- to open access to new technologies,
- to generate power in favour of members by representing their interests at regional, national and international level.

### **3. ANALYSIS OF CURRENT REACTION STRATEGIES**

The reactions to the effects of structural adjustment programmes and reduction of governments' support vary from country to country and from one branch of co-operatives to another.

#### **3.1 Negative Reactions**

In some countries, where co-operatives have been depending heavily on government support and control, phasing out of government's involvement in co-operative affairs is perceived as being abandoned by the state. Without external help and member support, the management of such co-operatives sees no future for their organisation and passively waits for its dissolution and liquidation. This generally refers to co-operative produce marketing societies for export crops serving all producers in its region, without having a genuine membership base.

Another reaction can be observed in the case of officials of co-operative departments and other public services in charge of promoting and supervising co-operatives. Despite heavy pressure from the donor side and shrinking budgets for their operations, the professional promoters, consultants, supervisors and auditors of co-operatives refuse to accept that their services are no longer required under the new economic, political, administrative and legal environment and cling to their powers and positions, *claiming what has been claimed for the last 60 years, namely that co-operatives are not yet ripe for independent development.*

They try to block attempts of revising co-operative legislation and continue to carry out their work as if nothing had changed, until their departments are closed and they are either transferred to other services or dismissed.

A third reaction to the effects of structural adjustment programmes on co-operative development can be observed: structural adjustment programmes are perceived by many government services including the ministry or department in charge of co-operative development as a policy imposed by the donor community and are not seen as imperative for improving the living conditions and development chances of the country as a whole. *Instead of drastic and far reaching changes of development policy and framework conditions in line with the philosophy underlying structural adjustment, only minor, cosmetic changes are accepted and reforms are carried out more on paper than in reality.*

The policy is one of muddling through, reacting on urgent needs when they arise but without a clear vision of a brighter future. Under such conditions, state-controlled co-operatives continue to struggle for survival or become dormant, without autonomy but also without government support and supervision, but also without knowing how to use the newly found autonomy. The potentially hostile atmosphere against autonomous democratic organisations continues to prevail. Private institutions continue to be looked at by government with suspicion and new co-operatives have to find niches in which to operate and have to keep a low profile so as to remain below the observation level.

### **3.2 Positive Strategies**

Where structural adjustment programmes are perceived by governments as a chance to turn the tide from a top-heavy, bureaucratic and costly development machinery, a centrally planned economy and a reluctant, disillusioned citizenship towards a lean state, deregulation, deofficialisation and decentralisation, liberalised markets and favourable conditions for individual and group enterprises, including autonomous co-operatives, structural adjustment programmes can greatly enhance co-operative development.



Rather than supporting and supervising co-operatives, the state can help co-operatives to reorient themselves by giving them access to education, training, markets, credit systems and by allowing them to develop at their own speed.

New roles of government services will be to protect co-operatives against unfair competition, to prevent politicians and political institutions to infiltrate co-operative bodies in order to take control and to misuse co-operatives for their purposes.

But in a more liberal administrative and economic system co-operatives themselves have to be vigilant against attempts of others to recapture them. They have to apply the internationally tested rules for sound co-operative development: concentrating on members' needs, raising the level of education and training of their members, leaders and employees, using the co-operative techniques of vertical and horizontal integration to strengthen their position in the market and in the political arena.

Under conditions of structural adjustment co-operatives have the chance to become what they were not allowed to be during colonial time and under state supervision after independence: autonomous self-help organisations, having as their object to promote the economic and social interests of their members in accordance with the co-operative principles of open membership, democratic control, service to members at prices near cost and efficient, member-controlled management.

Especially in times of need, deficient markets, freedom of association and a liberal economic policy, working together in co-operative self-help organisations may be the only way for small producers and consumers to overcome their weaknesses and to face the market forces by discipline and vigorous co-operation. Some may realise the benefits they had derived from co-operatives only after having lost them.

#### **4. CONCLUSION**

Under the changing conditions of structural adjustment the position of co-operatives has been improved. However, the chances offered to co-operatives in the new environment have to be seized by them.

Co-operatives have to understand that they are no longer instruments in the hands of others, but rather enterprises and advocacy groups operating in the interest of their members. They have to fight for suitable framework conditions, for equal opportunities and fair competition. They have to understand the need to carry out inter-co-operative trade for mutual benefit. They have to learn to build up their own support services (education, consultancy, insurance, central finance) where government services cease to exist. They have to make their voice heard at regional and national levels through their federations and unions and through the International Co-operative Alliance.

## **4.2 REORIENTATION OF CO-OPERATIVE ORGANISATIONS: ROLE, POTENTIAL AND CONSTRAINTS OF CO-OPERATIVES IN AFRICA TODAY - A VIEW FROM AFRICA**

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### **1. INTRODUCTION**

Anglophone African countries have been undergoing major structural and institutional changes as a result of Structural Adjustment Programmes implemented since the early 1980s. These countries entered the era of adjustment programmes with structures and institutions built over thirty years of centralised planning and state control of public as well as private organisations. Public and other institutions which were directly linked to governments were caught unprepared, and the expected changes have been relatively small and slow.

Reorientation of co-operatives in Anglophone Africa is rather slow, because almost invariably the co-operative movement has stayed under the government for more than thirty years today. It is no wonder that when they are freed from the government, co-operation may be distorted and a new circle of co-operative development starts. It is not true that when co-operatives are left alone, they start to become genuine co-operatives. Time is needed to recheck themselves, reflect and make the right strategies for the future.

In this paper, we are going to discuss the process of reorientation of co-operatives through the era of adjustment programmes and see how they are being accommodated in the emerging market economy.

The paper will be divided into four parts: The historical context, major trends and roles in the reorientation of co-operative organisations, the potential and constraints.

## 2. HISTORICAL CONTEXT

Co-operatives, though expected to be autonomous associations of individuals with a common objective and problem to resolve, have been closely linked to the government in Anglophone Africa. (Calson: 1992). They started as free associations, until they were legally recognised and taken over by the government at later years.

In Uganda, co-operatives came as a means of economic empowerment of African traders in the consumer and cotton sectors in 1913. In Tanganyika (now Tanzania) and Kenya, co-operatives came as a means of empowerment for coffee, cotton and later tobacco farmers, in 1908 and 1925 respectively. The first co-operative legislation came in 1932 in Tanganyika and 1933 in Uganda, and, 1931 in Kenya. This shows the fact that the initial condition to form co-operatives is a common objective rather than legislation.

The colonial government wanted to guide ordinary farmers and traders who were ignorant to manage their own business (Oloa:1991), create a cost effective means of taxation and institute an elaborate information linkage on any political unrest of the native population. The cash crop economy was invariably a potential source of agitation calling for close governmental monitoring.

But as late as the 1950s, the colonial government tried to amend the co-operative laws in East Africa, with the view of making co-operatives more autonomous. At independence, the co-operative movement in Anglophone Africa, had to search and define new relations with independent governments, and almost invariably all governments formulated new laws to remove autonomy, take over movement leaders into political positions and co-operatives forced to spread without being demanded. This process introduced the internal conditions for co-operative monopoly, leadership crisis, mismanagement and market failure of co-operatives during the era of structural adjustments. The years from 1970 onward are defined as the years of crisis in co-operative management in Anglophone Africa (Oloa:1991).

## 3. MAJOR TRENDS AND ROLES AFTER ADJUSTMENTS

The emergence of trade liberalisation, privatisation, removal of monopolies and competition, has put institutions and structures built during the monopoly years into a process of decay (Muenkner, 1996). The situation in co-operatives demands a careful handling, but needs quick and timely actions to re-orient state sponsored co-operatives into competitive organisations which are able to function in a market economy.

In the past 7-10 years of Structural Adjustment Policies and Programmes, Anglophone African co-operatives have experienced different actions taken to re-

orient them towards functioning market systems. Our basic arguments in this paper are two:

First, co-operatives have been slow in the reorientation process and second, the actions so far taken are isolated incidents as a result of external pressure and fighting for individual survival rather than a strategic comprehensive planning. The actions taken are both external and internal to the co-operative movement:

### **3.1. External Trends**

#### **3.1.1 Co-operative/Government Relations**

The interpretation of structural adjustment policies has been taken differently by different governments in Anglophone Africa. The severity of structural measures has however depended on how deep was the government involved in co-operative affairs and how liberal the economy was at the initial stage of structural adjustment programmes.

As far as government - co-operative relations are concerned, we can identify three types of actions of government. Governments in Uganda and Zimbabwe have taken liberalisation and privatisation as a process of complete off-loading the burden of co-operatives. The government in Zimbabwe initiated complete liberalisation of agriculture, marketing and supply activities with severe shocks of loss of markets for small scale maize growers (ILO - Report 1996).

In Uganda, the government took fast measures to off-load the co-operative movement by drastically decentralising co-operative support services, scrapping down audit and human resource development. The immediate consequence is a backlog of unaudited primary co-operative societies which as yet do not have the financial capability to pay for privately hired services. At the same time, the co-operative movement as a whole is ill-prepared to absorb such support services immediately. In the same way, the Co-operative College in Uganda is left to die slowly.

Governments in Zimbabwe and Uganda are currently reviewing their off-loading positions, but it may be too late to salvage some of the good co-operative structures.

The situation in Tanzania and Zambia is that of taking half-measures. This attitude is characteristic of the socialistic background of previous government policies which submerged co-operatives into the framework of government. Sometimes the government feels a political risk to let alone the co-operative movement and sometimes it tries erratic measures to abandon it. In both Tanzania and Zambia, co-operative development has been re-defined as a non-core activity of the government, hence reduction of government support services such as auditing and human

resource development. Zambia is planning a three year programme for the movement to be prepared to take over government support services, which may be too theoretical. In Tanzania, the government first decentralised government support services to local governments. But in 1995/96, there is new thinking to centralise some of them such as audit and human resources development.

Also there have been half-measures to disband government-owned marketing boards, but so far the government in Tanzania has not taken firm decision on their privatisation.

For co-operatives, the situation in Tanzania and Zambia is very risky, because it is unpredictable, and calls for a comprehensive long term strategy on the part of co-operatives which does not exist at the moment.

In Kenya, Ethiopia, Swaziland and Lesotho, governments have interpreted liberalisation as part of macro-economic policy framework. The Kenyan Government for example, defines government co-operative relations as part of overall policy on economic management through a series of sessional papers. Sessional paper No. 1 of 1994 on Recovery and Sustainable Development to the Year 2010, clarifies broad policy guidelines on pricing and marketing, related to all actors in the economic system. And where support is required, the government is prepared to assist the co-operatives (ILO: 1995).

In Swaziland, Lesotho and Botswana, the movements are still weak, hence their governments still offer substantial support. In Ethiopia, the government not only offers a high degree of support to co-operatives, but also there is a broad policy of promoting other self-help organisations and the informal sector in general.

### **3.1.2 Co-operative Policy and Legislation**

Co-operatives still occupy a special place in the African rural economy. During the era of Structural Adjustment Programmes, most governments have realised the potential that exists in co-operatives as vehicles of privatisation of the rural economy, the urban squatter as well as the informal sectors (Muenkner, 1996). As a result, most countries have started to review their co-operative laws. Tanzania and Uganda formulated new acts in 1991 to re-install a high degree of autonomy for their co-operative movements. Lesotho, Kenya and Zambia are reviewing their acts at the moment. It is, however, questionable whether the methodology of active member participation is used in the formulation of new legislation so that the future co-operative movement is member-driven. We feel that top-bottom state machinery is being used as we saw when we studied the bye-law formulation process in Tanzania recently (ILO-COOPREFORM). Co-operative legislation should serve the members and promote their interests rather than serving legal technicalities.

### **3.1.3 The Donor Community**

Assistance from traditional donor countries to African co-operatives has shifted from general to specific forms. The donor community has been selective in the areas of intervention where there are high chances of success, such as human resource development, improvement of management capacity and gender participation. The Nordic Kenya Project has assisted a decentralised system of education reaching the membership. In Tanzania, DANIDA, SNV, HIVOS, NOVIB and NORCOOP, have assisted co-operative education and other forms of grassroots training so that members of co-operatives and other self-help organisations are empowered to create the capacity to influence their own environment. The quality of dialogue between North and South has greatly improved and carried out on perceptions of partnership in development.

In Uganda, Zimbabwe and Zambia, the Swedish Co-operative Centre and USAID have provided assistance that has been directed towards member empowerment through the national co-operative organisations in the future.

During adjustment, member empowerment is central for shaping the future of the co-operative movement in Africa. International co-operative assistance should therefore be seen as providing a framework for continued policy dialogue for a more member-driven co-operative movement and other forms of self-help organisations.

## **3.2 Internal Trends**

Privatisation and liberalisation have put forward more demands for internal restructuring of the co-operative movements. Removal of co-operative monopolies and credit squeeze has, however, put co-operatives into difficult and tight situations. It was obvious that the co-operatives were not prepared for market competition, but on the other hand many co-operatives were not prepared to carry out internal restructuring as a precondition to entering a free market system.

The immediate reactions to market forces and competition have been very slow and have been on the basis of individual organisations rather than the co-operative movement as a comprehensive system.

### **3.2.1 Size**

Liberalisation has exposed a lot of cost elements in running co-operative organisations. As a result, regional unions such as in Tanzania started to question the viability of covering whole geographical regions, while the main productive areas are few and small. So there has been a general trend of cutting down of regional co-operative unions, district and sometimes divisional unions.

In 1984 Tanzania had 20 regional unions and now there are more than 32 district unions. But this was guided by leaders sometimes with political ambitions rather than member-driven, and were really isolated union by union steps rather than a broad co-operative strategy.

### **3.2.2 Retrenchment**

Co-operative organisations both in Tanzania and Uganda have taken retrenchment to mean restructuring. The physical reduction of a few employees has been accepted as an end in itself. But unions have not done a comprehensive analysis of what should be cut to size in terms of operational costs. Even at the quantum reduction of employees, at a certain stage there could be room for more reduction, but the unions would not go further due to employment based on consanguinity. Employees are hired on the basis of blood relations, hence difficult to retrench comprehensively.

Other costs and national structures have consequently remained the same as they were built during the monopoly years.

### **3.2.3 Structures**

As a result of maintaining high operational costs, the secondary level organisations have themselves become a real constraint in the reorientation and reform process.

Due to increased competition, the national structure is being cut to size not by deliberate strategic requirements but through market forces.

Kenya and Uganda have very strong traditional co-operative financial intermediaries in the form of savings and credit, insurance co-operatives and co-operative banks. But as traditional institutions, they are still inward-looking into their own organisational structures and they have not as yet addressed the reorientation problem of the co-operative system as a whole.

## **4. CONSTRAINTS**

The general feeling of co-operative organisations especially at the level of the membership and primary societies, is the view that liberalisation is a temporal phenomenon, imposed by the government. National organisations such as the Uganda Co-operative Alliance and Kenya National Federation of Co-operatives have gone a long way in trying to educate their movements about the long term implications of the new competitive environment. The national organisation in Tanzania is still weak and co-operative leaders see liberalisation as a bad element in society.

But major constraints in the re-orientation process are institutional, competition among co-operatives, dependency on unions and the rise of new monopolies.

#### **4.1 Institutional Constraints**

Given the national structures of co-operative organisations in Anglophone Africa, the main constraints towards re-orientation of co-operative organisations are the secondary unions. The secondary unions in Tanzania and Uganda are large organisations holding extra business operations such as dairy farms, printing presses, transport wings, housing projects and hotel business. The marginal support services to member primary societies are taken to be part of the union's business rather than that of members. As such, they have become centres of capital accumulation and business decision-making.

Although liberalisation has transformed the transaction process and shifted business decision-making to the primary society, this is often not realised. Massive investments at the union level have made secondary unions unwilling to take part in any re-orientation programme. They have become business competitors against member primary societies (Uganda). Unions have become less transparent and cannot effectively participate in a transformative process of member participation and empowerment (Uganda and Tanzania).

The secondary unions in Tanzania are still holding the financing line to primary societies, but they have partly lost the crop line to private traders. Although not competing yet, time is already running out for the Tanzanian Unions, because they do not have the cash capability to sustain crop finance. Lack of cash and transparency on the part of co-operative unions in Tanzania, will very soon make the members reject their own unions as they have partly done in Uganda.

The district union in Kenya is different. The union here is a facilitator of co-operative development rather than a business investor. As facilitator of primary societies and members business, the Kenyan district union can be a good partner in the re-orientation, member empowerment and member participation process.

#### **4.2 Competition Among Co-operatives**

Liberalisation and competition is gradually pushing co-operatives to compete against each other. The perfect market situation that has emerged after liberalisation in Uganda has made individual co-operative organisations fight for their own survival and even compete against each other. Such a situation is not conducive for a planned re-orientation of the co-operative movement in its totality.

In Tanzania, a recent survey has informed us that while the co-operative unions are not transparent to their members, private buyers are transparent to each other and



the general public. As a result, there is a rejection mechanism as more co-operators are attracted to sell more of their produce to private buyers than to their primary co-operatives. The following table is illustrative of this phenomenon.

**Table 1: Membership Growth and Coffee Purchases - Uru-Kati Mawella Primary Society 1992 - 1996**

<i>Year</i>	<i>Membership</i>	<i>Coffee Purchases (tons)</i>
1992	2,271	200.3
1993	1,125	138.7
1994	1,296	219.6
1995	1,978	206.5
1996	2,002	42.5

*Source: Uru-Mawella Primary Society*

From 1994 onward, when liberalisation was gaining momentum, membership was rising while coffee purchases were declining reaching a record low in 1996. This is indicative of the fact that either the members still want their co-operative society as a cohesive institution, but business loyalty is somewhere else. Or, it shows that when the union does not offer crop finance, the primary society does not have a co-operative solution to the problem. This will end up in keeping high member figures without co-operative business and allow dormancy and decay rather than re-orientation of co-operatives. The new situation demands that co-operatives should work together for a common strategy before new monopolies take over and start dictating terms to marginalise co-operators.

### **4.3 Primary Society Dependence on Unions**

In Uganda, liberalisation has taught primary societies not to depend too much on the unions for crop finance or other services. But they have done so with very limited capacity. In Tanzania, especially in the coffee growing areas of Kilimanjaro, primary societies depend on the union for every service. As such, the disintegration of the co-operative enterprise will be very fast as unions die their way out. The situation both in Tanzania and Uganda, needs a joint dialogue and planning to restructure which responsibilities should remain with unions and which should be taken over by primary societies under the circumstances posed by the new environment.

## **5. POTENTIAL**

Experience of Structural Adjustment Programmes in Africa has exposed co-operatives' traditional problems of inefficiency, mismanagement and lack of business orientation. On the other hand, the complaints expressed by co-operative managers against private buyers are the same problems which existed in the 1920s such as cheating, under pricing and illegal business practices.

Co-operatives however, should see liberalisation as a challenging environment for management, committee and the members, calling for co-operative solutions. There are however, potential areas which co-operatives need to exploit for positive re-orientation into the free market economy.

### **5.1 The Primary Society**

The primary society is the most natural and grassroots business organisation for local self help. During the era of liberalisation, the primary society has gradually become a very critical institution in the whole structure of the movement. It is the most proximate economic organisation to small holders, it is taking major business decisions on where to sell, how much to sell, and how much to produce. The potentials for success are higher if the primary society process is supported by member empowerment programmes and enhanced management capacity.

As grassroots institutions, we see primary societies forming an orbital network of their own in future. As a network, they will define what kind of secondary and national structure is needed and that it will be dictated by their own needs. This will eventually give birth to new co-operative movements in liberalised markets.

### **5.2 Strong Grassroots Network**

Co-operatives have created a potentially strong network to carry out a gradual integration of production, financial intermediation, agro-processing and marketing.

Primary societies in Kilimanjaro, Tanzania, are now discussing and planning this integration which consolidates the position of the members and their co-operatives in the face of stiff competition. The farmer members in Kilimanjaro have established rural savings and credit societies and they are now planning the establishment of local trust funds to meet local cash needs at the beginning of the crop season. Such efforts need the support of their union and the apex organisation.

### **5.3 Sustainable Payment System**

Coffee co-operative unions such as the Kilimanjaro Co-operative Union, have historically created a systematic payment system of three phases which takes care

of input purchases, off season expenses such as school fees and medicare and savings.

The co-operative payment system enabled farmers in Kilimanjaro to save deposits amounting to 600 mill. Tshs. through their rural savings and credit by March 1995. When private buyers intensified their activities deposits fell by 20% in December, 1995. On the other hand, private buyers are not prepared for price negotiations and they pay only once and farmers enter into spending allowing no savings.

#### **5.4 Government Intervention**

A number of business malpractices have been reported in all countries when the free market came into the picture. Private buyers do not observe quality standards and gradually countries are losing foreign exchange.

The district government in Rombo, Kilimanjaro region, has formed a committee to oversee the fact that the rules of the free market are closely followed by all players in the market.

National government should work out stringent procedures and regulations to ensure that competition is fair for all actors in the market.

### **6. CONCLUSION**

In this presentation, we have seen how slowly co-operatives are changing towards a new situation dictated by the market economy. We have recognised the fact that the process of change has a number of potentials and constraints.

Among the constraints are those posed by secondary unions. These organisations participate in the market but are not prepared to restructure for the benefit of their members. We have also seen that co-operatives do not have a comprehensive strategy for competition. We have seen the need for government intervention in making business practices free and fair for all actors.

Finally, the need for the primary society taking more responsibilities is a practical reality, especially in the integration of production, finance, agro-processing and marketing. But to enhance the integration process, national co-operative organisations have a primary role to play in taking up programmes which improve member participation and empowerment.

In terms of co-operative strategy, we found the following questions and issues:

- Co-operative Unions should restructure to become facilitator agents of grassroots co-operation development. But who is to do it when we know its current managers and committees are not interested in this process?

- Unions and primary societies should initiate a joint planning process on how to share responsibilities in the new environment. But who is to take this initiative when both the Unions and primary societies are fighting in disarray?
- A planned integration of production, financial Intermediation, agro-processing and marketing is necessary at the primary society level. But do we have the management capacity at that level? If not where are we going to get it?
- The Co-operative movement needs a strategic planning process taking the movement as a system of related and linked organisations. But who is going to take the initiatives?

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### **4.3 SUMMARY OF PLENARY DISCUSSIONS**

The two keynote papers were commented upon during plenary sessions. Governments were heavily involved in co-operative affairs because of historical reasons. After independence they strived at building up new entrepreneurship in the countries. However, the colonial/post-colonial types never answered the question of how co-operative members could help themselves through co-operatives. These co-operatives should better die if they cannot survive. It was asked how co-operative leaders can contribute to increase the co-operative efficiency and how co-operatives can be assisted to be more competitive.

In many African countries a conflict still exists between legal stipulations and desirable co-operative structures. It was argued that laws must serve the people.

Primary co-operative organisations are not strong enough to compete with international companies, thus creating the need to organise themselves at a higher level. Unions, however, are not always in a position to represent and defend the interests and needs of primary societies.

Co-operatives should be restructured by the movements themselves, based on generally accepted needs, i.e. the prevailing situation should determine the restructuring process.

### **4.4 INTRODUCTION TO WORKING GROUPS**

Participants formed four working groups on the subject matters mentioned below in order to exchange their experiences with adjustment programmes. Discussions focused on an in-depth analysis of the state of implementation and the impacts of adjustment policies, the reactions of co-operative organisations, and the necessary changes of co-operative goals, strategies, structure and performance.

Specific case studies on how co-operative organisations are coping with the new conditions were presented. These case studies covered areas such as management, organisational structure and member participation, finance, competition with other private organisations and lobbying.

## **4.4.1 GROUP A: ADJUSTMENT PROGRAMMES, TRANSPARENT MARKETS AND CO-OPERATIVES**

### **4.4.1.1 THE IMPACTS OF STRUCTURAL ADJUSTMENT POLICIES IN UGANDA ON CO-OPERATIVES AND STRATEGIES TO OVERCOME THEM**

By

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#### **1. HISTORICAL BACKGROUND**

In 1913, a group of farmers in Ssingoo county in Uganda founded the first co-operative association whose main goal was to control the domestic and export marketing of members' produce. Fellow farmers in all parts of the country shared this vision and formed themselves into co-operatives to fight exploitation by middlemen. The co-operative spirit that was born in 1913 went underground until 1946 because of various restrictions from the colonial government which perceived these co-operatives as subversive organisations. It was the 1946 Co-operative Ordinance that legalised the operations of the co-operatives enabling the colonial administration to control the numerous "co-operative groups" that had come into existence.

Co-operatives in Uganda pervade almost all the activities of human endeavour. However, the co-operative movement in Uganda is dominated by the agricultural marketing co-operatives for cotton, coffee, tobacco, sugar, vegetables, food crops, etc. which accounts for 63% of the 5,863 registered co-operative societies. Other types of co-operative societies are in the fields of savings and credit, consumer, transport, livestock, hides and skins, dairy, processing, horticulture, banking, insurance, etc. etc.

Although the majority of co-operatives were and still are described as agricultural marketing co-operatives, they never marketed. They merely became collecting agents for the government **parastatals** namely, Lint, Coffee and Produce Marketing Boards. Although these boards are non-responsive to co-operative needs, they were maintained and expanded at such great costs that eroded the profit margins that would have gone to co-operatives delivering produce to them.

Simultaneously, the growth of the co-operative movement into a dynamic and business-like organisation was hampered by the direct involvement of government in the management of co-operative unions and societies. The poor management of these co-operatives led them to incur losses to be overburdened with loans that members had neither asked for nor negotiated. Members failed to patronise their co-operative societies and in turn these societies did not patronise their unions. Members therefore, existed independent of their societies and societies independent of their unions. The benefits that were expected through horizontal and vertical integration were therefore, never realised. To these woes were added years of civil strife that led to massive losses of co-operators' assets.

## **2. ECONOMIC REFORMS TAKING PLACE IN UGANDA**

Structural Adjustments in Uganda have been going on since 1987 under support of World Bank and IMF. These were initiated mainly to rebuild the shattered economy which had suffered mismanagement by dictatorial regimes from 1971 until 1986 when they were swept from power after a protracted struggle. The Economic Reform Program (ERP) which was put in place had four major objectives.

- a) To stabilise the economy on sustainable basis.
- b) To develop a much stronger and larger private sector.
- c) To create a more efficient and effective public sector.
- d) To develop a strong financial sector.

Since then, government has implemented a wide range of policies intended to achieve these objectives and also chart out a new direction for the Ugandan society. Adjustments that have directly impacted on the co-operatives are as follows:

1. Fiscal Policy measures which aim at prioritisation of public spending, increasing government revenue collection and reduce overall budget deficit.
2. Monetary Policy which aims at controlling inflation to single digit by restricting credit and money supply, market-determined interest rate, strict supervision of the activities of financial institutions by the Central Bank, and free-exchange rate mechanism.
3. Trade liberalisation which has led to the abolition of monopolies and the removal of obstacles in internal and external trade.
4. Privatisation of public enterprises and many services previously provided by the state.
5. Reforms in the public sector including the reduction in the public services and parastatals.

6. Decentralisation which has led to the shift of considerable power from the centre to the local administration.
7. Legal reforms including the enactment of the 1991 Co-operative Statute.
8. Democratisation of society based on a new constitution which was finally put in place in 1995.

### 3. THE IMPACTS OF ADJUSTMENTS ON CO-OPERATIVES

The impacts of Structural Adjustment on co-operatives in Uganda are both negative and positive. The **negatives** are as follows:

- a) Loss of government protection
  - Monopoly of co-operatives in internal marketing of various agricultural commodities and inputs was dismantled. They now have to face competition which they were not familiar with. As a result, co-operatives have substantially lost their market share and some of the members who have switched to supply private competitors.
  - No more guaranteed prices and margins.
- b) Loss of easy access to funds.
  - Government used to provide crop finance to purchase farmers crops but this has now stopped. Co-operatives have either to obtain this from their own sources or borrow from banks which is rather difficult given their low credit rating. The same applies to any other credit requirements.
  - No more government guarantees which used to be given for non-creditworthy co-operatives. Besides, many co-operatives which have received government guarantees have been forced to pay outstanding debts, sometimes through forced selling of assets.
  - No more government subsidies, e.g. agricultural production credit at interest rates below the market rate.
- c) High taxation rates.
  - A number of new taxes such as withholding tax and coffee stabilisation tax were introduced and these have seriously hurt co-operatives.
- d) Reduction or loss of free services
  - Audit services by government to primary societies and unions have virtually stopped due to lack of staff and funds.
  - Education and training virtually discontinued by the state because of budgetary and staff reductions. The co-operative college is also in a crisis due to non-allocation of funds.
  - Supervision services by the ministry have been drastically reduced.
  - Tough demands put on financial institutions.



The Co-operative Bank (CB) and the Co-operative Insurance (UCI) are required to meet minimum capital requirements which has not been easy. UCI is threatened because it has not yet raised the required amount. The CB has been saved by the donors.

### **Positive Impacts**

- a) Restrictions which used to be imposed on co-operative marketing and processing activities were removed. For example, a society or union can now buy produce beyond its locality unlike in the past. Co-operative unions as well as primary societies can process agricultural produce which used to be the monopoly of marketing boards.  
They can also export which they were not allowed to do.
- b) Co-operatives can now access foreign exchange and import spares, machinery, equipment, inputs etc.
- c) Co-operatives have largely been freed from government interference and control. Leaders and managers are now free to make their own business decisions without being constrained by government bureaucracy.
- d) The low inflation rate and the reforms in the financial sector have brought down rates from about 50 per cent to between 15 and 20 per cent to date. This has benefited co-operatives which can now borrow at reasonably low rates.

It is, however, worthy to note that while some of the impacts may be negative to co-operatives, to individual members they may be positive causing conflict between the co-operatives and the membership. For example, liberalisation means that members can sell to other competitors if they wish, thereby undermining their primary societies. Between the primary society and the union, the same problem arises because the former can sell to any other buyer. In addition, some primary societies are now doing functions such as processing and export, previously done by the unions and the marketing boards.

## **4. RESPONSE BY CO-OPS AND THEIR CURRENT STATUS**

What has been the response by co-operatives to these adjustments in Uganda?

Much of the response to these adjustments has been from co-operative unions at district and national levels. The main aim was to be efficient and competitive and keep in the market place. Hence, some steps including the following were taken.

- Reduction of staff in the unions. Some have reduced by over 80%
- Closure of unprofitable business lines such as petrol stations, ranches, workshops, printing etc.

- Sale of excess assets to adjust operations to reduced volume.
- Formation of joint ventures with private sector investors to inject capital and competent management. This however, has so far occurred in very few unions, but as the going gets tougher, many are likely to opt for this arrangement.
- More aggressive marketing strategies such as establishing buying centres in other parts of the country, and getting closer to the membership to exploit that comparative advantage.
- Leasing of marketing and processing facilities.
- Increased efforts at mobilisation of working capital from members.
- Reduction of the size of the board.
- Drawing of Business Plans.
- Formation of a joint marketing organisation called UNEX by exporting unions.

Although these measures have been taken by co-operative unions, their actions have been slow and coming rather late when the situation is out of hand. In addition, they were not co-ordinated as a response by the entire movement. Each union wanted to go it alone. In addition, the unions were unable to stick to the business plans which were drawn to guide them in the restructuring process partly because of lack of commitment by leaders, managers and lack of resources.

## **5. STATUS OF THE CO-OPERATIVE IN UGANDA TODAY**

About 30 per cent of the movement is active to date. About the same percentage could be classified as semi-active. The rest have been crippled by Structural Adjustment measures. District and national unions have absorbed the greatest impact. In the cotton sub-sector, the unions have had to forcibly sell more than 50 per cent of their ginneries to private sector operators in order to pay the old debts owed to government since the early 1970s.

Government forced this move in order to introduce competition and efficiency in buying and ginning of cotton which had been monopolised by co-operatives. Although the unions are being forced to act in a way contrary to their interests because of the indebtedness, none of them asked for these loans. It was the government of the time which decided without consultation with union leaders.

Since 1994 government introduced coffee stabilisation tax which has added to the crippling of coffee unions. Those exporting have been paying colossal amounts in stabilisation tax.

Currently, there is a trend where attention and power are moving from district unions to primary societies which are gaining relative importance as business organisations

instead of collecting for the unions. Many primary societies are doing things which were previously done by district unions.

The current share of the co-operative movement has fallen to below 20 per cent, mainly due to the increasing numbers of new entrants coupled with the inability of many co-operatives to compete. Several of the unions which had successfully exported are facing problems.

## **6. WHAT SHOULD BE THE FUTURE ROLE OF CO-OPERATIVES AND WHAT CONSTRAINTS DO THEY FACE?**

In Uganda it is vital for co-operatives to remain a participant in the marketing of agricultural commodities. Without co-operatives there is a danger that the current liberalised marketing could eventually lead to the formation of cartels and monopoly through the manipulation of the market. Such developments would hurt the interests of the producers.

However, at the same time it is clear that co-operatives in Uganda need to change structurally. To date 65 per cent of the co-operatives deal with agricultural marketing and the remaining 35 percent are shared by 10 other types. The structure of the economy of Uganda is changing from being predominantly agricultural to more of industry and services. Co-operatives should change in the same direction more or less. We need more of savings and credit co-operatives, more of housing and other services which could improve the standard of living of the members. There is a saying in Canada for example, "one can be born in co-operatives, grow up in co-operatives, work in co-operatives and die in co-operatives". This can hardly be said of co-operatives in Africa, Uganda included. In any case, it is in such areas that co-operatives would have comparative advantage. Africa has not fully exploited the possibilities that co-operatives offer.

## **7. CONSTRAINTS AND STRATEGIES**

The first main constraint in Africa's co-operatives is their weak roots in the membership and communities in which they operate. These are co-operatives which are valued by the membership, but my guess is that many others are not. This is because of the historical origin, many of which having been forwarded on the initiative of government to channel assistance to the rural people. Others have the majority of their membership being there not on their own choice but because of the policies that did not allow them to choose, for example, not to market through the co-operatives. This means therefore, that many of the members were not clear about the need for their co-operatives in order to give them full support.

The second problem is also related to the membership. The bye-laws of co-operatives in Uganda defined a potential member as a person who owns land in the community and is undertaking farming. Unfortunately, women in Uganda do not own land, nor do the youth. As a result, the man became a member, representing his whole family (family membership). This has deprived co-operatives of potential membership who cannot participate in their individual capacity.

The third problem or constraint is over-dependence on a single crop or activity. In Uganda the marketing co-operatives handle coffee or cotton, or tobacco. It is very rare to find a co-operative handling two of these crops or in combination with any other. This state of affairs makes such co-operatives very vulnerable. Should anything go wrong with the commodity, all the co-operatives depending on that commodity suffer the consequences. This has happened to cotton co-operatives when cotton production drastically declined between 1972 and 1995.

The fourth constraint is the weak linkages within the system. Marketing primary societies in Uganda provide an outlet for the members' produce and nothing else. The same with district unions to primary societies, and even between some national unions, e.g. Co-op Bank and primary societies. UCA used to have the same problems until it decided to shift emphasis to primary societies.

## **8. STRATEGIES**

- ⇒ Agricultural marketing societies have to link with production through the provision of extension and financial services. Extension services can be provided through collaboration with other agencies.
- ⇒ New types of co-operatives should be started. We need to identify those areas with viable possibilities.
- ⇒ Co-operatives have to mobilise local resources (savings) from their membership to support development, especially through micro-enterprises.
- ⇒ In many parts of Africa, a fresh registration of the co-operatives is needed. This would help to screen the dormant from the active.
- ⇒ Membership has to be broadened through conscious efforts to recruit women and the youth on single membership basis.
- ⇒ Diversify business activities in the co-operatives. The lines of diversification however, should be relevant to members activities. Short of this, many co-operatives will continue with seasonal business operations where they are open for a few months and closed most of the year.

This is by no means an exhaustive list of future strategies, but these could help them to go a long way.

## **4.4.1.2 THE PRE-INDEPENDENCE AND POST-INDEPENDENCE EXPERIENCES OF THE GHANA CO-OPERATIVE MARKETING ASSOCIATION LIMITED**

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### **INTRODUCTION**

Co-operatives have played very significant roles in the economic development of the people of Ghana (formerly Gold Coast). Since 1928 when co-operation was tasted in Ghana, many farmers, communities and the entire Country have benefited immensely from it.

The Ghana Co-operative Marketing Association Limited (GCMA) is a co-operative organisation currently licensed to market cocoa to the Ghana Cocoa Board which is the sole exporter of the produce to overseas markets.

Since 1924, Gold Coast Co-operation Federation, as it was then called, operated under the Ministry of Agriculture of the then Gold Coast and did well to, among other things, improve the quality of the country's cocoa through a group fermentary system which was then widely used in Trinidad and Tobago and which was being introduced into the Gold Coast.

It was registered as the Gold Coast Co-operative Federation, but the name had to change to GCMA on 1st December 1944 with the emergence of several co-operative societies in the country.

At the moment there are four types of co-operatives in Ghana, namely, industrial, finance, service and agricultural and the GCMA may be classified as an agricultural co-operative.

### **STRUCTURE**

The GCMA is a 3-tier organisation - the Society (the grassroots or village level) the Union (District) and the Association which is the Apex body.

There are Management Committees - usually seven - at all levels of the Association. The Society affiliates to the Union and the Union affiliates to the Association. Despite

the affiliations, all the levels are autonomous institutions. The Apex body collates the operations of its affiliates and acquires logistics and operational funding for them.

The GCMA is itself affiliated to the Ghana Co-operatives Council which embraces all Co-operative Associations in the country and it is through the Council that GCMA is affiliated to the International Co-operative Alliance (ICA).

### **PRE-INDEPENDENCE GCMA**

In Pre-Independence Ghana GCMA traded in cocoa, coffee, sheanut and copra. In the cocoa industry, particularly, it performed very creditably when it had to compete with Western economic and trade giants like the United Africa Company (UAC), Cadbury and Fry, Swiss Africa Trading Company (SAT) and J. Lyons etc.

The Ghana Co-operative Marketing Association Limited was at the time acclaimed to be the best business organisation in Africa, south of the Sahara. In the cocoa industry, its market share among over thirty competitors, mostly foreign, was 40%.

It is a matter of interest that the British Colonial Government recognised the great contributions GCMA was making to improve the quality of the life of the average Gold Coaster and awarded two of its leaders the order of the British Empire (OBE).

The success of GCMA since the first World War prompted the emergence of viable co-operative ventures like the Co-operative Bank, Co-operative Insurance and the Co-operative Wholesale Establishment.

The success of GCMA in the Pre-Independence era was widely felt by the members and non-members alike.

Members' farms which were pledged because of debts were redeemed by the GCMA. Non-members enjoyed the development projects which were made by GCMA in the rural areas. Many scholars, who were members' children owe their education to the largess of the Association. The name GCMA was synonymous with rural development and assets like warehouses, bungalows, trucks etc. were acquired through out the country.

### **POST-INDEPENDENCE GCMA**

There is no gainsaying the fact that the fortunes of GCMA suffered significant reverses after political independence of the country in 1957. Since then, the history of the Association has been a chequered one.

Because GCMA's Leaders refused to be drawn into party politics the authorities decided to dismantle the Association.

The United Ghana Farmers Council Co-operatives (UGFCC) was formed in 1961 in its stead. It was a co-operative on paper to avoid international sanctions; but it was truly an integral wing of the ruling political party at the time.

All assets of GCMA including storage sheds, bungalows for staff and other officials, tools of trade, members share contributions and deposits were taken over by the UGFCC by a fiat of the Government, and it became the sole agency which was to market the country's cocoa. No compensation was paid to GCMA.

In 1966, after a military coup had toppled the Government, GCMA was licensed again to market cocoa. All the Association's assets were given back to it only to be merged again with a pro-government buying company in 1977 with the assets being taken over by the new company.

GCMA saw this as illegal and resorted to court action. On three occasions, judgements were given in the Association's favour, but a Government Decree (PNDC Law 89) confiscated the assets to the state again.

The assets have up to date not been released to GCMA. The Association has now decided to appeal to the Commission on Human Rights Administrative Justice for redress.

### **GOVERNMENT'S CONFISCATION OF GCMA'S ASSETS**

The assets of GCMA remain confiscated after the courts had ruled in favour of the Association. To make matters worse, the assets have been transferred to a Government-Sponsored Buying Company which is in competition with GCMA in the newly introduced Internal Marketing of Cocoa.

The new system allows more companies to engage in the internal cocoa marketing, but every company has to secure a bank guarantee to Ghana Cocoa Board for the release of funds for marketing operations. Since GCMA's assets remain confiscated to the state, it has nothing to offer as collateral to the banks to secure the necessary guarantee to Ghana Cocoa Board for funds for its operations.

This state of affairs has reduced the Association's market share of 40% in the Pre-Independence Era to about 2%.

### **APPEAL FOR ASSISTANCE**

I do not seek to bore you with the history of the Ghana Co-operative Marketing Association Limited. Mine has been an attempt to get you acquainted with the performance of our Association in the past, compare it with the present and to let you have an idea of GCMA's potentials.

On this score, I passionately appeal to the International Co-operative Community, Governments of goodwill, NGO's and all our well wishers to come to the aid of this once great co-operative organisation which, as said above, was once acclaimed the best business organisation in Africa, south of the Sahara.

Such aid could be in the form of cash for marketing operation or logistics such as trucks, tractors, cross country vehicles, tarpaulins, weighing scales and jute sacks.

GCMA was in the Pre-Independence Era the pivot on which the entire co-operative movement in the country depended. To assist the GCMA, therefore, would be to assist co-operatives in Ghana as a whole.

### **POVERTY IN AFRICA**

It is commendable to research into how Structural Adjustment Programmes (SAP) have had harsh economic effect on the population in Africa; however it must be stressed that this would be meaningless if the continent does not get out of its poverty and does not apply the necessary Adjustment Programmes.

This is important to permanently eliminate the causes of poverty, which makes the Adjustment Programmes necessary. There are three main reasons for the poverty of most of the population of Africa. They are:

#### **The Unjust World Economic Order**

This is a situation where the countries have been made poor because prices of their primary products are not good on the Developed World Market. When even international agreements have been reached on prices of primary products from African countries, ratification by developed countries becomes problematic. It is even not clear now whether the International Cocoa Agreement has been ratified by all its signatories.

#### **Economic Mismanagement**

It must be conceded that most African countries are very poor because their Governments have mismanaged their economies. Their populations consequently live in abject poverty.

#### **Natural Calamities**

Natural calamities like floods, drought, earthquakes, hurricanes and other such natural phenomena, affect agricultural production on the continent whose population is predominantly agrarian.

This is another area through which poverty has come to Africa.



## **STRUCTURAL ADJUSTMENT PROGRAMMES (SAP)**

To alleviate poverty, many African countries have resorted to Structural Adjustment Programmes (SAP) usually with borrowings from the International Monetary Fund (IMF) and the World Bank among others. The conditionalities attached to these loans, almost invariably, aggravate the already precarious financial situations in these borrowing countries.

In Ghana the situation is not different. Prices of all commodities have gone up because of the SAP. The rate of increasing prices of consumer goods is not commensurate with remuneration of workers. Subsidies on essential commodities like agricultural inputs and social services have been removed and many farmers have not been able to purchase agricultural inputs because of their prices.

The Government of Ghana has realised this situation and brought about the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD). This is aimed at alleviating the harsh effects of the economic measures brought about by SAP. Nevertheless, these programmes have not had the desired impact on the lives of Ghanaians.

The effects of SAP on co-operatives in Ghana are many and varied. Ghana Co-operative Distillers Association which imports bottles for its factory, the Ghana Co-operative Pharmaceuticals which imports drugs and such others are hard hit by prohibitive import duties which have eaten most, if not all, of their surpluses.

The GCMA, on the other hand, is affected differently. Since cocoa it markets is an export commodity, the income to the member-farmer is relatively modest. Nevertheless, the prohibitive prices of agricultural inputs to our member-farmers are such that any handsome income is eroded, placing the farmer in square one to endure the harsh economic measures.

It must be said that in such a situation, export-oriented organisations stand to gain much through their exports.

It has been said elsewhere that Ghana Cocoa Board is the sole authority allowed to export cocoa from Ghana. However, if any investor should be attracted by our appeal and should agree to fund the operations of GCMA, Ghana Cocoa Board will, under a special arrangement, allow the investor to export cocoa from Ghana to the value of his investment.

This is a boon to investors and the GCMA invites the International Community to approach it in this regard. If such a deal should go through, GCMA would have funds for its local operations while the investor would get a modest premium on his cocoa export. We hope you will avail yourselves of this attractive bonanza.

### **SMALL-SCALE CO-OPERATIVES AND ELIMINATION OF POVERTY**

Prof. Dr. Hans-H Münkner in his introduction to his Papers and Reports Book titled "Short Analytical Review of Research Results on Co-operatives and Rural Poverty" was perfectly right when he summed up the conclusions of research workers thus: "those who benefit most from rural development programmes and Government assistance in the form of subsidies, grants and other privileges are usually the progressive farmers, the local elite, i.e. those who are already better off".

This is precisely the fact in the African countries with SAP today and it could be said without fear of contradiction that only strong and virile co-operatives could save the people of these countries, mostly peasant farmers, who are basking in abject poverty, hunger, disease, squalor and illiteracy.

It is true that poor standard of living affects productivity. It is also true that poor people cannot afford the pleasures of big-time co-operatives.

We, who live in Africa know the seriousness of the problem and therefore send a clarion call to the International Community to assist the peoples of Africa with small-scale productive, marketing and multi-purpose co-operatives which could go a long way to help alleviate their poverty. Participants from Africa countries are also to note this.

While finding ways to alleviate poverty in Africa the three factors enumerated above which, almost invariably, bring about poverty in Africa must be properly looked at and eliminated. The Developed World is hereby called upon to critically examine the factors enumerated above which induce poverty in Africa.

### **CURRENCIES OF ANGLOPHONE COUNTRIES**

Poverty in African Countries, as said elsewhere, cause serious social problems. The resultant mess caused, for example, by some Governments economic mismanagement brings political instability. Political instability also scares foreign investment.

These situations in Africa cause weak currencies in relationship with the main international currencies. Weak currencies are found mostly in Anglophone African countries because the CFA is guaranteed by the French Franc.

This places the Francophone African countries at an advantage so far as strong national currencies are concerned.

**CONCLUSION**

It is hoped that as we research into the effects of SAP on the populations of African Countries with a view to alleviating poverty that they bring about, serious consideration should also be given to the causes which prompt the African countries to embark upon Structural Adjustment Programmes which, more often than not, aggravate the poverty of the countries.

Thank you.

### **4.4.1.3 THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT IN ADJUSTMENT ERA: A CASE STUDY OF ETHIOPIA**

*By*

*Haile Gebre*

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#### **1. INTRODUCTION**

Ethiopia is a country of over 1.1 million km<sup>2</sup> extending between latitude 4° N and 33° - 48° E. It is bordered in the East by Somalia and Djibouti, Kenya in the South, Sudan in the West and Eritrea in the North. According to the new administrative set-up, Ethiopia has 9 self-administered Regional States. Ethiopia has geographical diversities: latitudinal differences ranging from 100 meters below sea-level to 4626 meters above sea level. Approximately more than 60% of Ethiopia consists of high land of very fertile plateau, while the rest being low-land areas. The plateau and low-land areas are divided into two by the great Rift Valley. As a result of this configuration, the climate varies from one area to the other ranging from temperate in plateaus to hot in low-land areas. The temperature varies from place to place ranging from 1°C - 30° C. The country has two rainy seasons: long and short. The long rainy season starts in June and ends at the end of September. The short rainy season occurs from the month of February up to mid-April. Annual rainfall ranges from below 400 mm up to 2400 mm. The Ethiopian highlands were once covered by forest, but about 85% of those forests have been destroyed. Today only less than 4% of the total area of the country is under forest.

Agriculture is the back-bone of Ethiopian economy; more than 87% of the total population of the country derives its livelihood from this sector. The country's total exports and 90% of foreign exchange earnings are from agriculture. Ethiopia exports coffee, oilseeds, and hide and skins to the world market. Agriculture is the source of raw materials for Ethiopian industries. About 50% of the GDP comes from agriculture.

Ethiopia, with its current population of more than 55 million, is standing as the second largest populated country in Sub-Saharan Africa.

## 2. HISTORICAL BACKGROUND OF CO-OPERATIVES IN ETHIOPIA

The historical background of co-operatives in Ethiopia has two aspects:-

1. Traditional Co-operations
2. Modern (Business) Co-operatives

### 2.1 Traditional Co-operatives

In Ethiopia, co-operation is part of our traditional way of life in that, for many years, our ancestors have lived and worked together on a co-operative basis. For many years, co-operation was and still is the basis of organising society in our villages sometimes even in the urban areas. Co-operation has been practised in the following ways:

#### a) *"DEBBO" Farm Co-operation - in Ethiopian Villages*

"Debbo" or "Jigges" are popularly used to solve land preparation problems. In the Debbo system tilling is done collectively, in turns, on individual plots. This helps individual farmers to till large tracts of land in the shortest possible time.

#### b) *Constructing Houses*

In the villages, it is common for families to co-operate during construction of houses in order to reduce the hardship of an individual.

#### c) *"EDIR" Funeral Arrangements*

It is common among people to share the burden of funerals. Many people travel long distances to attend funerals even when those bereaved are not necessarily close relatives or friends.

#### d) *"EQUB": Money Saving and Thrift Association*

The Equb is one form of saving; it is more popular in urban than in rural areas. It is formed among different people on voluntary basis to contribute specific amounts of money at a specific time-interval usually once a week or month. The Equb has got a chairman and a secretary. The chairman is responsible for the overall administration, accounting and lot drawing etc. of the association, according to the agreement of the members. Each member is obliged to contribute the required amount of money regularly and on time and has the right to receive a loan when his or her name becomes due. The list is drawn on

a lottery basis. The Equb is dissolved only when everyone has had a chance to draw her/his money.

It is evident that the Ethiopian society has involved through traditional co-operative structures, except that this type of co-operation did not have direct economic significance to the participating members. This form of co-operation was based on mutual assistance.

## **2.2 Modern Co-op Movement**

The ideas of a modern consumer co-operative were introduced to Ethiopia by American Peace Corps in the 1960s. They organised co-operatives at their places of work. These ideas were given further momentum at the beginning of 1960s when Ethiopians returned from studies abroad and started to push for the formation of co-operatives as a means to solve the problems of agriculture and the land tenure system. The first farm co-operative was established in Wolaita district, Sidamo Province, in 1960.

A Department of Co-operatives was formed under the Ministry of Community Development and Social Affairs in 1960, and was charged with the responsibility of first formulating co-operative regulations and rules. The first Decree No. 44/1960 declared the conditions to form "The Farm Workers' Co-operatives". Between 1960 and 1966, four Farm Workers' Co-operatives were established. The Decree of 1960 was repealed and replaced by the Co-operative Society Proclamation No. 241 of 1966.

The main objectives of Co-operative Societies Proclamation No. 241 of 1966 were that of improving the standard of living of the farmers, better business performance and improved methods of production by:

- a) Reducing the cost of credit
- b) Reducing the cost of goods and services for production and consumption
- c) Minimising and reducing the individual risks and uncertainties for farmers

As a result of this proclamation, 118 types of primary societies and one co-operative union had been organised by 1974. The types of co-operatives were:-

- Multi-purpose and farm coops
- Thrift and Credit coops
- Handicraft and Small-Scale Enterprise Coops
- Industry Coops
- Consumer Coops
- Other forms of Coops
-

### **2.3 Co-operatives During the Derg (the Socialist Government of Ethiopia) Era**

The Land Reform Declaration of 1975 and the formation of peasant associations in the rural areas created an unprecedented formation of co-operative societies in the form of communes (Yehiberet Ersha).

These communes were formed by force, hence did not meet the criteria and principles of a co-operative. This necessitated the enactment of proclamation no. 138 of 1978 with the following major objectives:-

- a) To develop self-reliance in co-operatives and to promote the interest of members.
- b) To put the means of production under the control of co-operatives and to transform them gradually to collective property as may be necessary.
- c) To increase production
- d) To expand industries
- e) To accumulate capital and to mobilise human resources to sustain economic development and
- f) Other political objectives

The implementation of this proclamation was given to different ministries, i.e. Ministry of Agriculture and Ministry of Coffee and Tea Development, to organise farmers' Producer Co-operatives and Service Co-operatives in the rural areas. The Ministries of Finance, Housing and Urban Development, Industry and Domestic Trade, were given the mandate to organise co-operatives in the urban areas.

As a result of Proclamation No. 138 of 1978, 10,524 primary co-operatives were registered. By 1990, membership increased to 4,529,257. The capital increased to over 485 million Birr excluding that of housing co-operatives. Eighty percent of these co-operatives were in rural areas. However, after the collapse of the Communist Government in May 1991, it is estimated that only 50% of the co-operatives have survived. Around 3,232 of these are in agriculture.

### **2.4 The Role of Co-operatives in the National Economy**

With the declaration of a mixed economy system by the Communists in March 1990, free market economy, for the first time in 17 years, was introduced and the position of co-operatives was drastically curtailed.

Nearly all the Producer Co-operatives were liquidated; and only 85% of the Service Co-operatives remain to this date. The latter play significant roles and are supplying

agricultural inputs to Cereal and Coffee Co-operatives. Handicraft and Housing Co-operatives are no more functioning.

The only sector in which co-operatives have succeeded is the Saving and Credit Coop Society. Saving and Credit Co-operative Societies operate mainly in urban areas. Most members of the society are civil servants, who run their societies with democratically elected members and in which the role of government is limited.

In general, co-operatives under government control have not been economically successful because of the heavy hand of government, while member-oriented co-operatives managed on a business basis have been economically viable.

### **3. THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT IN ADJUSTMENT ERA**

The history of the Coop Movement in Ethiopia shows that three decades have passed since the introduction of modern (business) co-operatives.

The major problems the co-operatives faced are the following:-

1. Lack of clear policy and guidelines for co-operative development
2. Lack of strategic planning;
3. Lack of well-adjusted government co-op structure;
4. Lack of education and training;
5. Lack of support services.

#### **3.1 Lack of Clear Policy and Guidelines**

Frequent changes in the philosophy of social systems in a very short period of time had resulted in vague short-term policies which, in turn, caused deviation from universally accepted principles and norms of co-operatives. In addition, the low priority given to co-operative development is also another problem that brought about the stagnation of co-operative development in Ethiopia.

#### **3.2 Lack of Strategies**

For decades co-operatives were parastatal organisations. They were fulfilling the socialist objectives of the government. It was not only co-operatives that were dependent on the government, but also their members. Even today the government uses co-operatives as a base for its development programme. To foster autonomous, member-oriented co-operatives, there should be a systematic approach to transfer the power base from government to a member-oriented co-operative system. This can only be effected through the formulation and



implementation of a strategic plan. The government, NGO's and co-operatives should convey a National Convention on how to transfer power from government to co-operatives by forming an Apex body organisation, which aims to replace the role of and power of government in the long term.

### **3.3 Lack of Unified Promoting and Supervisory Authority**

Co-operatives in Ethiopia are supervised and promoted under five ministries. The ministries' main objectives are not primarily directed to promote the co-operative movement. To them, co-operative promotion is secondary. They use co-operatives as means to implement their charter objectives.

Co-operatives in Ethiopia are either at a low stage of development, or at the level of primary society. Therefore, though the government intervention is not something desirable in the long term, its involvement in the immediate term is unavoidable. There should be a unified authority entrusted with promoting and for supervising the development and activities of co-operatives. This has to be a technical authority with the necessary qualified personnel. The authority should refrain from any political intervention and influence to depoliticise co-operative development in the country.

### **3.4 Lack of Education and Training**

Co-operatives in Ethiopia are weak in the areas of management, accountancy, and in the philosophy of co-operatives' formation and development. This can be improved through education and training. It should be underlined that co-operative education and training can not be dealt separately, but should be addressed in cognisance with the actual development of the co-operative movement. For the last few decades co-operatives were under state control. Training and education also focused to strengthen state bureaucracy. No significant step was taken to build the capacity of co-operatives' management. In the past, Yekatit 25 Co-operatives Institute's primary focus was directed to the provision of training to the staff of the Ministry of Agriculture. Much less emphasis was given to the co-operative movement.

The main focus of co-operative training should, therefore, be on the development of co-operative societies and human resources development of co-operatives. In the absence of the above, the co-operative movement of the country demands well qualified and trained government as well as co-operative movement staff.

3.4.1 The co-operative education and training system should be developed through a dialogue between the state and the co-operative movement

3.4.2 Co-operative education and training needs to be considered within the entire framework of human resources of the country. It should be the integral part of the general education system in schools, universities and in adult education.

### **3.5 Lack of Support Services**

Before 1974, when co-operatives were autonomous, corruption and embezzlement were rare. When the state controlled co-operatives democracy, corruption and embezzlement sipped in and found their way in every aspect of the co-operative movement, and their tentacles were firmly rooted. As a result of the rampant corruption and embezzlement, the members lost their confidence in the co-operatives. To redeem the situation and to bring back and instil the trust and confidence of the members, the government should exert efforts in co-operatives' development and promotion as well as provide support services in audit and inspection. However, to insure co-operative autonomy, the ultimate means should be using private support services in the long term.

## **4.4.2 GROUP B: ADJUSTING CO-OPERATIVE STRUCTURES AND ACTIVITIES TO MEMBER NEEDS**

### **4.4.2.1 CONSEQUENCES OF LIBERALISATION ON CO-OPERATIVE DEVELOPMENT AND ADJUSTMENT WITH PARTICULAR REFERENCE TO THE MARKETING OF TRADITIONAL CASH CROPS IN UGANDA**

*By*

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#### **INTRODUCTION**

Formation of co-operative organisations in Uganda dates as far back as 1913, and their main objectives were to control the domestic and export market for members' produce and end the exploitation of peasant farmers by middlemen. The cash crops were basically coffee, cotton, tobacco and tea.

However, due to government and alien commercial interests, this could not easily be executed. In 1946, the Co-operative Ordinance Act was enacted to regulate co-operative operations.

In 1949, LMB was formed to centrally deal with cotton export on behalf of co-operatives.

In the 1960s CMB and PMB were formed to centrally deal with coffee and other produce, e.g. beans, maize, simsim.

The co-operatives were forced to hand over their products in full exportable form to the Boards. Hence the Boards solely played the role of marketing products whose origin, and processing they knew very little about. These Boards were not responsive to the needs of the Co-operative Movement and hence a lot of inefficiency set in.

However, adverse domestic and international macro-economic conditions and the fact that these Boards were becoming a drain on the government revenue, have of late forced government to accept the Structural Adjustment Programme (SAP) which has led to dismantling of the Marketing Boards.

This move, together with the Co-operative Statute of 1991, have hence given the co-operative movement an opportunity to be autonomous.

### **THE CONSEQUENCES**

Liberalisation has set in competition at various levels.

#### 1. The grassroots level/primary society level

The peasant farmer is no longer obliged to deliver his crop to the primary society. He is free to sell where the prices are more attractive.

At Union level: Societies are free to sell their crops to a buyer or processor with the best terms.

However, this has had a doublefold effect in that the quantities being competed for are still small and this has resulted in poor quality products as some competitors have not taken keen interest in the quality. This has been especially so with coffee. Consequently, this has had a negative effect on the world market prices.

2. The co-operatives have been directly exposed to challenges as well as tangible and intangible benefits. They have to strive to produce what suits the customer best. The few Unions that have been involved in direct export of coffee were able to earn reasonable surplus, make second or even third payments. However, when the going became hard, they have had to face it the hard way.
3. Government's role is basically an advisory one. Hence it is no longer actively involved in the co-operative operations, e.g. Crop Finance and other facilities are no longer the business of government. Therefore, the survival of the co-operative depends entirely on its own making.
4. Effective competition necessitates quick and appropriate/timely decision-making, expenditure consciousness and manageable overhead costs.
5. The co-operative organisations generally had a poor working capital base. Competition, therefore, has led to collapse of some of them. They were not in a position to raise sufficient cheap working capital.
6. Alienation of Members: The farmers no longer feel the necessity of being organised in a co-operative in order to market their products, e.g. some buyers go up to purchase coffee/cotton from the gardens.

### **STRATEGIES FOR SURVIVAL**

1. Have a competent Board of Directors and Management Team.
2. Critically review the mission and objectives of the Co-operative Movement.

3. Reduce on fixed overhead costs, these include personnel costs, non-performing assets, expenditure consciousness and trim the organisation to a manageable enterprise.
4. Mobilise and consolidate adequate working capital.
5. Sensitise members on the mission and objectives of the co-operative movement.
6. Strive to improve on both the quantity and quality of the product.

#### **4.4.2.2 TUSOLE CO-OPERATIVE MARKETING UNION: CASE STUDY ON AGRICULTURAL CO-OPERATIVE MARKETING**

*By*

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Mr. Mbuji is one of the co-founding members of Tusole Co-operative Union situated about 20 km East of Zuba town in the South-Western Province. The Co-operative Union was registered in 1989 with the encouragement of the District Co-operative Officer, Mr. Jere. The Tusole Co-operative Union members are mostly resettled migrant retirees from the mining towns of the Copperbelt Province about 100 km North of Zuba.

Out of a total population of 20,000, the majority of the indigenous Community leads a life far below subsistence level. When Mr. Jere identified the potential of agricultural activities in the area, mainly with the advent of the retirees, he saw prospects for formation of a co-operative union. Mr. Jere told Mr. Mbuji, one of the farmers that, if they formed a co-operative, the government would give them inputs like fertilisers and seeds. He also told him that the government would also give them tractors to plough their fields.

One week later, Mr. Mbuji organised a village meeting where he invited Mr. Jere to talk to the villagers about forming a co-operative. Mr. Jere told the villagers that the government supported and regarded the co-operatives as instruments and channel to reach the impoverished rural population, make services and goods available which had previously been denied to them. He told them that if they formed a co-operative, the government would through the provision of the New Marketing Act of 1988 empower the co-operative union as the sole marketing organisation responsible for the distribution of agricultural inputs, implements and procurement of agricultural produce. They were guaranteed by government in meeting some of the operational costs. He further told them that all they needed was to make small contributions of ZK 1.00 as entrance fee and ZK 2.00 as share capital.

After one month, the Tusole Co-operative Union was registered with Mr. Mbuji as its chairman. Five thousand individual members joined with total ZK 10,000-00 (US\$11) and ZK5,000-00 (US\$6) share capital and entrance fees paid respectively. With the registration of Tusole Co-operative Union also came new life to the farming

community. The villagers were given inputs and agricultural production in the area had increased to 1,500,000 x (90kg) bags maize from 500,000x (90kg) bags in the previous season. The Union and the Community in general depended on maize marketing for the next four years and the standard of the Community had generally improved.

In 1991, four years after the Union had been registered, the country faced a major drought which saw crop failure for a number of seasons. The yields of crops by the farmers was drastically reduced to all time low levels. The Union also faced a problem of breakdown of all the tractors and other equipment it was using. The operations of the Union were affected due to lack of capital and spares to service the tractors. As indicated earlier on, from the time the Union was registered in 1989, it was also the only buyer of all agricultural produce in the area, from its members and non-members alike. In 1991, the government liberalised the economy and allowed other traders to participate in the handling and procurement of the agricultural crops, i.e. grains like maize, sorghum, millet, groundnuts, beans, cotton etc., buying and selling of agricultural inputs, i.e. fertilisers, seeds, pesticides and ox-drawn implements. This sudden change affected the Union market share. The Union is currently in need of funds to continue with its operations.

#### **MAJOR ISSUES RAISED IN THE CASE FOR DISCUSSIONS**

- a) Society did not come out of the felt needs of the members. (Idea came from the government = imposed)
- b) Share contribution could not commence the business enterprise (relied on inputs given out as handouts and marketing operational costs financed by government)
- c) Members not educated on self-reliance
- d) Union relied on single activity (farming/marketing)

#### **QUESTIONS FOR CONSIDERATION (DISCUSSION)**

1. Why did a society which seems to have started so well collapse?
2. What could have been the role of the government officer in the affairs of the union?
3. What can be done to resuscitate the union?

### **4.4.2.3 MODEL CASE STUDY ON HOUSING CO-OPERATIVES**

*By*

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*Harare/Zimbabwe*

#### **BACKGROUND**

The Zimbabwe population stood at 10,4 million according to the 1992 population census. According to the same census Harare only had 1,5 million people, Bulawayo more than 600,000, Gweru and Mutare more than 100,000 people each. The National Growth rate of about 3% and the urban population growth rate was over 8% per annum according to the 1992 population census.

The rural-urban migration gained momentum after independence (1980) with more and more people flocking into the urban areas from rural areas in search of jobs and other opportunities. Major urban areas like Harare, Bulawayo, Gweru, Mutare and Masvingo witnessed the largest rural-urban migration figures with their urban populations doubling between 1980 and 1992.

The house delivery system prior to independence was designed to fulfil the urban housing requirements of only the white settlers and urban dwellers and a few affluent Africans. Backlogs in the house delivery system were very small. With the advent of independence (1980) the house delivery system could not cope up with the growing demand for houses in most urban areas for the following reasons:

1. Lack of serviced land for urban housing because of a shortage of funds and the qualified personnel to do the required work.
2. Lack of finance for local authorities to purchase land from private owners.
3. Lending institutions remained conservative and have tended to shy away from lending to high density housing where most of the people live.

#### **HOUSE WAITING LIST**

Figures available from the Ministry of Public Construction and National Housing (a Ministry responsible for national housing) indicated that in urban areas, there was a



backlog of 8,000 housing units by 1984. The backlog shall increase to 790,000 to the year 2,000 if no further construction takes places.

The lodger: owner ratio in the urban areas is about 4:1 on average, meaning that 80% of potential house-owners are lodgers. Harare's house waiting list has more than 110,000 while Bulawayo has more than 50,000, Mutare (20,000), Gweru (20,000) (the four being the major cities in Zimbabwe).

The critical shortage of housing units in the urban area and a call by the government for the formation of co-operatives gave birth to the formation of housing co-operatives in the country. The government then had a thrust on co-operatives as a way of fostering co-operation and unity among the people of Zimbabwe.

Housing co-operatives, unlike other co-operatives, are a recent phenomenon with the first co-operative being registered in 1985 i.e. Cotton Printers Housing Co-operative made up of workers of the then Cotton Printers Company in Bulawayo.

The idea of forming a housing co-operative was for the members to pool their resources together for the purpose of acquiring stands and developing the stands for the members. The local authorities accepted and gave preference to the housing co-operatives since most of them then required even unserviced land. Local authorities to start with gave the co-operatives some land in the urban areas and with time the co-operatives were given vast pieces of land to develop on their own. Since the formation of Cotton Printers Housing Co-operative more and more co-operatives were registered and by the end of 1995 about 90 co-operatives were registered country-wide. Of the registered co-operatives more than 50% of them are found in Harare.

Housing co-operatives were originally a mixed bag because there were no considerations given on age, salaries and size. The result has been that vendors joined hands with teachers and formed co-operatives, for example, Mufakose Housing Co-operative. While the idea of co-operation could be noble the co-operative faced problems because the vendors were not sure whether they would be able to raise the required monthly contributions. Kugarika Kushanga had over 2,300 members which makes administration very difficult.

Housing co-operatives cut across the cross-section of the society, from domestic workers to professional people. Tashinga is made up purely of domestic workers in and around Mabelreign while Gwanda Zimbabwe Integrated Teachers' College (ZINTEC) Housing Co-operative is made up of 15 lectures of Gwanda Zimbabwe Integrated Teacher's College in Gwanda (ZINTEC).

Companies have been most supportive of co-operatives. Bindura Nickel Mine Corporation has promised each co-operative member \$10,000 when construction starts on their houses.

### **FACTORS CREATING PROBLEMS FOR HOUSING CO-OPERATIVES**

The problems housing co-operatives are facing are a combination of factors chief among which are:

1. Lack of policy guidelines on housing co-operatives. As already indicated housing co-operatives are a recent phenomenon and the Ministry had until recently not prepared any guidelines on housing co-operatives.
2. By-laws on housing co-operatives were derived from the general by-laws on other co-operatives which gave problems since housing co-operatives are somehow unique.
3. Negative publicity and reporting that have been associated with co-operatives in general as uneconomic and unviable ventures.
4. The lack of the regulatory framework on housing co-operatives created problems for the various housing co-operatives. Lack of a regulatory framework resulted in housing co-operative being treated like any other co-operatives.

### **CHARACTERISTICS OF HOUSING CO-OPERATIVES**

- a) Involves large sums of money - A housing co-operative with 200 members and each member contributing \$100 per month would mean that the treasurer would handle about \$20,000 every month. Such large sums of money without a control mechanism are bound to be abused especially by the Management Committee members in conformity with the treasurer.
- b) A large membership is involved - Unlike other co-operatives where there could be 10 or so members, housing co-operatives have attracted members in large numbers, for example, a co-operative with 2,300 members. Because there was no limit as to the numbers most co-operatives continued to increase their membership.
- c) Members have jobs all over - Members of a housing co-operative are usually scattered all over the place. Such dispersion resulted in some members not attending general meetings where resolutions are usually made with the non-attending members usually crying foul. Only a few co-operatives have members working for the same company or same industrial area.
- d) Housing co-operatives are not profit-making - Unlike other co-operatives, housing co-operatives have previously lost sums of money to commercial banks and building societies in taxes since they were viewed as any other co-operatives that would be charged withholding tax. There is, however, light at

- the end of the tunnel after protracted negotiations with the Association of Commercial Banks and the Association of Building Societies. The two associations agreed not to tax the funds deposited by housing co-operatives.
- e) People from all walks of life joining a co-operative - Most housing co-operatives were until recently made up of a mixed bag. A housing co-operative could have vendors, teachers, hawkers, accountants with visible salary disparities. Such a scenario created more problems for most co-operatives. Only a few co-operatives have people of identical salary scales.
  - f) Income generating activities were usually not related to the core purpose. A co-operative would buy a bus using member's contribution only for the bus to drain more resources from the co-operative at the detriment of the members.
- The above factors have characterised housing co-operatives and created the problems that are given below.

### **COMMON PROBLEMS FACED BY HOUSING CO-OPERATIVES**

#### **1. *Misappropriation of funds***

Management Committees of housing co-operatives have been implicated in funds misappropriation. In such misappropriations usually the chairperson and the treasurer are involved. Misappropriation could either be conversion of funds to own use or withdrawing more money than agreed by the general meeting. It could also take the form of lying about the money banked.

The problem of misappropriation is however common where the members hand the monthly contributions to the treasurer. In cases where the money is banked by each individual in the co-operative account such a problem does not occur.

#### **2. *Lack of transparency by the Management Committee***

Most Management Committees conduct co-operative business like their private business. They usually build a wall around themselves such that the general membership is kept guessing on what is taking place. The Management Committees forget that the general meeting is the supreme decision-making body. There are many reported cases where Management Committees impose decisions on the general membership.

In one co-operative in Bulawayo the Chairperson had taken over the co-operative that is he does everything for and on behalf of the co-operative.

Lack of transparency destroys the whole purpose of co-operation as the principle of utmost good faith is destroyed by the power welding chairperson or the Management Committee.

In another case the Management Committee decided to buy a bus for the co-operative without the consent of the general membership.

Lack of transparency has affected most co-operatives with some losing members. It creates enmity amongst the members of the co-operative. The Management Committee should be the shining beacon of the co-operative, not the divisive factor as has been the main feature.

In some co-operatives the general membership does not know their bank, the account number, stands allocated, amount in their account, who their creditors/debtors are, because of the lack of transparency.

3. *Dictatorial tendencies*

In some co-operatives, the chairperson is supreme. His decisions cannot be challenged, no-matter how wrong such a person may be. In one co-operative in Harare the chairperson boasted of his academic qualifications saying that since he is the most educated his decisions are the best. The co-operative has been dragged into believing that it was now mandatory for co-operatives to pay monthly contributions of \$ 300 up from \$150. He has managed in the process to lure his lieutenants who support him in all his efforts. Another example is that of a co-operative in Bulawayo where the chairperson carried out activities without general meeting approval. Then the chairperson was transferred to Harare, that is when the general membership realised his dictatorial tendencies.

4. *Unfair allocation of houses*

Allocation of houses for many co-operatives has been a thorny issue. Chairpersons or Management Committees tended to practise favouritism in the allocation of houses. The Management Committees "yes" men got houses ahead of the members who would have joined the co-operative first.

In other co-operatives a person who would have left the co-operative, say at number 20, is replaced by a person who should be number 2,300 and gets a house before number 30 who would have joined the co-operative 5 years earlier.

The problem is commonly found in dictator-led co-operatives where the chairperson is not questioned about his actions.

5. *Records of activities not kept by the co-operative*

Some co-operatives do not keep records of activities and transactions. They don't keep records of meetings, contributions paid, business transactions for the co-operative. Such a situation leads to manipulation of the co-operative activities. Such a co-operative usually loses a lot of money since no one accounts for it. A certain co-operative in Harare would make the co-operative members work for the Management Committee members and would be regarded as having paid their monthly contributions. The Management Committee later failed to account for \$480,000 because there were no records

In some co-operatives the registers of membership are altered, giving rise to problems of a person being allocated a house prior to those who would have joined the co-operative earlier.

Co-operatives with income-generating activities would never bother to record their sales, their expenditure, say for diesel and repairs giving rise to misappropriation of funds. In one co-operative the bus tickets could be used for 3 days because there was no system in place to check against abuse. In most co-operatives the members are not given receipts after making the monthly contributions.

6. *Lack of planning*

Most housing co-operatives do not plan their activities. They only rely on Management by crisis. When they have enough money in their account, that is when they start approaching local authorities for stands. They don't give themselves a time frame by which they should achieve goals one and two, for example, "by the end of 1999 we should have built all the members houses".

7. *Lack of training*

Housing co-operatives have witnessed wars between the Management Committees and the Supervisory Advisory Committees. The main reason being lack of training. The Supervisory Committee may not be aware of what it should do as well as the Management Committee. In most cases the Supervisory Committee would take over the functions of the Management Committee to the detriment of the co-operative.

8. *Activities not related to core purpose of forming the co-operative*

Most co-operatives have been engaging in income generating activities that are not related to the core purpose of forming the co-operative. One co-operative in Chinhoyi made huge losses after it ventured into agriculture with the hope of raising revenue to supplement their contributions. Another co-operative in Harare bought a 76 seater bus which is draining their resources. Its average daily income is \$2,000 as opposed to more than \$2,000 expenditure.

Others got involved in supermarket (co-op in Bulawayo) or selling Kapenta (one in Chinhoyi) which are not related to building. Such activities have always invited the commissioner of taxes who would not separate contributions from members and the revenue generated from such activities.

9. *Lack of group cohesion*

Co-operatives with huge numbers lack group cohesion. A housing co-operative with more than 2,000 members would obviously have different sub-groups which would undermine each other. For a co-operative with more than 200 members cohesion would decline. Most of the co-operatives that have more

than 50 members of different professions and academic qualifications tended to have more friction than a small group of identical features.

### **POSSIBLE QUESTIONS TO BE ANSWERED**

1. *Membership size*  
What factors determine the size of a housing co-operative? What could be the optimal size of a viable housing co-operative? What are the problems associated with too large or too small a number in the co-operative?
2. *Revenue generation*  
Which activities could be carried out to supplement co-operative members' incomes? Where should the co-operative get the initial capital for such projects? What type of activities should not be carried out? How should the funds be accountable for?
3. *Housing Policies*  
What policies should be put in place for housing co-operatives? Who should be involved in policy-making?
4. *Taxation*  
Should housing co-operatives be taxed when their main purpose is not profit-making? What type of tax should they pay and what percentages?
5. *Systems on Savings*  
What mechanisms should be put in place to prevent misappropriation of funds? How best could the savings be invested?
6. *Group cohesion*  
What could be done to enhance groups cohesion? What leadership styles should preserve group cohesion?
7. *Planning*  
What aspects of planning should be taught the co-operatives? Why is planning necessary, especially for housing co-operatives? Who should receive the planning lessons in the co-operative?
8. *Training*  
How could training be integrated into housing co-operative development? What type of training do they require?
9. *Salary Scales*  
Should salary scales matter when individuals are planning to form a housing co-operative?
10. *General*  
Besides the aspects stated above what other considerations should be looked at before a housing co-operative comes into being?

### **4.4.3 GROUP D: ORGANISING SUSTAINABLE CO-OPERATIVE TRAINING, COUNSELLING AND AUDITING SERVICES**

#### **4.4.3.1 CO-OPERATIVE HUMAN RESOURCE DEVELOPMENT IN ZIMBABWE**

*By*

*Ronald Gwebu*

*Secretary General - Zimbabwe National Co-operative Federation Ltd,  
Harare/Zimbabwe*

#### **INTRODUCTION**

The Zimbabwe National Co-operative Federation was formed in 1992. It derives its membership from national apex organisations and Unions whose co-operatives are found in all the sectors of the economy. These are the Organisation of Collective Co-operatives in Zimbabwe, Central Association of Co-operative Unions, National Association of Co-operative Savings and Credit Unions of Zimbabwe, Mining Union and Fishing Union.

Although ZNCF was formed quite recently, the co-operatives started in 1909 in the field of agriculture. However, the legislation then was very discriminatory and it did not provide for the advancement of co-operatives within the black population as it befitted mostly the white commercial farmers. In the African peasant sector formal co-operation was introduced in 1956 through the promulgation of the Co-operative Societies Act (Chapter 225).

The current Act, N<sup>o</sup>. 6 of 1990, though addressing some of the issues affecting co-operatives, still leaves a lot of control with the government through the Registrar of Co-operative Societies. It greatly limits the right and powers of co-operatives in making decisions they deem beneficial to their businesses.

#### **HUMAN RESOURCES DEVELOPMENT**

ZNCF does not have an established secretariat as yet. It still relies on the services of one of its members. In its by-laws, it is stated as one of its objectives that ZNCF will provide education and training to its members. To this end we have seen it fit to

assist co-operative members and staff members of our member apexes and Unions acquire various skills through training where opportunity has presented itself.

Zimbabwe attained independence in 1980 and at that time there were a few co-operatives in existence. At that time a lot of co-operatives were formed. The majority did not see training as a vital component in their businesses, and as a result many collapsed due to poor administration.

It is against this background that we are now putting a lot of emphasis on HRD, not only for co-operative members, but for employed staff as well at all levels of the co-operative sector so that we can achieve maximum effectiveness and efficiency.

The Ministry of National Affairs, Employment Creation and Co-operatives has been helpful sometimes in holding training workshops and seminars or short courses. However, their main problem which has caused them not to effectively implement the programme has been lack of funds. This is one of the Ministries that have been grossly underfunded.

This therefore serves as a warning to the co-operative movement not to expect too much support from government. In any case that is what the Economic Structural Adjustment Programme intends to achieve.

## **ADULT LITERACY**

In a bid to eradicate illiteracy the Organisation of Collective Co-operatives in Zimbabwe embarked on an adult literacy programme. This has been going on for almost ten years now. Co-operative members are taught how to read and write by trained Adult Literacy Tutors. When these members are able to read and write they begin to appreciate the need to further their education through distance education. They also begin to understand and appreciate business procedures.

This programme has been very beneficial to members of both sexes within the co-operatives. The main hindrance in implementing adult education programmes in co-operatives sometimes has been the lack of co-operation by some members. They tend to think that learning is unproductive and therefore must be done outside business hours as they feel that only the participating individuals stand to benefit. It is out of this experience that OCCZIM decided to organise and run Objective Oriented Intervention Project Planning workshops (OOIPP).

## **OOIPP**

As said above, OCCZIM realised that it is not always the case of lack of funds or managerial skills that cause failure by most co-operatives, but lack of cohesion as well. In this regard, organisational workshops at District Union level involving primary



societies have been held. This is an exercise where all the people participate in anonymously identifying problems and constructing a problem tree with all the negative things they would have identified. They then turn those into positive ones in order to come up with solutions.

At the end of each workshop participants are able to appreciate and tolerate problems. They also are able to identify the problems and find solutions without resorting to rebelling against their management committees. It helps them too, in getting to appreciate the need for more training resulting in them acquiring skills that enhance the development of their co-operative.

### **CO-OPERATIVE MANAGEMENT COURSES**

While the Ministry responsible for co-operatives has been sending its staff to National Training Centres within the country and colleges abroad for training in co-operative management and development, the co-operative movement has been doing the same. Some of the member organisations have been able to train their staff and members of co-operatives by sending them to training institutions within the country. Some co-operators are currently doing a diploma course in Co-operative Management at one of Zimbabwe's technical colleges.

One of our training officers last year visited the co-operative college of Zambia on a study tour. The experience he gained is invaluable. The trip was sponsored by ILO/COOPNET to whom we extend our sincere thanks. Zimbabwe has not yet set up a co-operative college, but we are grateful for the co-operation we receive from some colleges and training institutions within the country.

### **EXCHANGE PROGRAMMES**

Apart from the on-the-job training programmes for our farmers and manufacturers, we have engaged in exchange visits which we consider to be of vital importance in the sharing of experiences and information. There was an exchange programme, for example, undertaken by OCCZIM and the Saskatchewan Federation of Production Co-operatives of Canada in 1995.

This was a programme involving five female and five male farmers from Canada aged between 25 and 30 years visiting Zimbabwe and staying with different co-operatives on the farms. A similar set of farmers of the same age group from Zimbabwe also made a reciprocal visit to Canada and they were hosted by their counterparts. The programme was highly educative as the farmers gained a lot of practical experience in terms of both skills and culture.

**CONCLUSION**

It can therefore be safely said that despite the limited financial resources the co-operative movement in Zimbabwe is seriously addressing HRD. For any institution to deliver services to its constituency there has to be a sound policy on the development of its human resource. This also should be a gender sensitive programme. ZNCF is very conscious of this fact.

Zimbabwe has just gone past the first phase of the Economic Structural Adjustment Programme which has left a bad taste among the population. As things stand now we do not know what the second phase of ESAP has in store for us. Our struggle for sustainability and economic viability will be meaningless and completely futile if we don't equip our staff and members with the required skills.

### **4.4.3.2 SELF-RELIANT CO-OPERATIVE HUMAN RESOURCE DEVELOPMENT INSTITUTIONS IN AN ERA OF STRUCTURAL ADJUSTMENT**

*By*

*Mark Levin*

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#### **1. INTRODUCTION**

One of the central pillars of sustainable co-operative development is the existence of a vibrant, reliable and relevant co-operative human resource development (HRD) system. A principal component of co-operative HRD systems is sound financing, a precondition for making such HRD systems self-reliant.

Due to a variety of historical and developmental factors, co-operative HRD systems in Africa have, in the past, mainly been financed by government and/or donor agency sources. Adjustment programmes have brought into sharp focus the fragility of many co-operative HRD systems as they suffer the effects of reduced budgetary allocations, coupled with changes in donor policies.

The purpose of this paper is to contribute towards the transformation of financially not self-reliant co-operative HRD systems into self-reliant structures capable of serving co-operative movements and their members in Africa.

The paper reviews the impact of adjustment policies on co-operatives and on co-operative HRD and then identifies and analyses the main components that determine the financial self-reliance of co-operative HRD systems. It will be argued that in order to achieve self-reliance a number of factors need to be taken into account in addition to finance. Self-reliance refers to the ability of a system to define its own identity, goals and objectives and to develop strategies to achieve those aims in an autonomous manner. Finance is a central element in the notion of self-reliance.

#### **2. ADJUSTMENT PROGRAMMES AND CO-OPERATIVE HRD**

The adjustment programmes adopted by the majority of the developing countries since the early 1980s have been designed to transform their economies from being state-directed to being market-oriented.

The International Monetary Fund (IMF), through its stabilisation programmes, and the World Bank, through its structural adjustment programmes, have been the driving forces behind these adjustment programmes. Adjustment policies vary from country to country and from time to time, according to the specific conditions prevailing in different countries. Normally, however, they attempt to improve the balance of payments situation, reduce inflation, establish the conditions necessary for sustainable growth, increase competitiveness, improve the efficiency of the public sector and of the allocation of resources, reduce poverty and create new employment possibilities.

Adjustment policies have a variety of effects on co-operative HRD systems, principally in terms of reduced funding coupled with the urgent need to re-design curricula to enable co-operatives to adapt to the new market conditions.

Prior to the advent of adjustment programmes most co-operative HRD institutions in Africa were financed by the State and/or by external donor agencies. While additional sources of income, such as students' fees, educational levies, consultancies etc, were commonplace, the principal source of income remained the State, through the regular budget of the government. One of the central pillars of all adjustment programmes is the reduction of government spending and the contraction of government services in order to reduce public sector deficits. The reduction of funding also affects co-operative HRD systems. The funds available to training centres are generally drastically reduced, forcing institutions to lay-off staff and cut back on activities. Coupled with this, the State often expects the co-operative movement to step into the vacuum created by government budgetary austerity and take over the finance and management of co-operative HRD institutions. This process is, in fact, a form of "privatisation". Many co-operative movements are not in a position to adequately finance such institutions, and therefore, they are in danger of being closed down.

Another factor affecting the organisation of co-operative HRD systems in adjusting economies is deregulation, which opens the market to competitors hitherto "artificially" barred by legal and administrative regulations. In a number of countries, particularly in Africa, co-operative colleges were granted monopoly status to deliver co-operative education and training. Deregulation often exposes colleges and other HRD institutions to competition from more flexible, less bureaucratic and sometimes cheaper training agencies. Furthermore, the reduction or total withdrawal of government subsidies from traditional suppliers of co-operative HRD means that co-operatives have to pay the economic cost of the services received. This again increases the attraction of alternative suppliers in the market.

Deregulation of the market forces co-operatives to compete in an environment where monopoly status is no longer guaranteed or, indeed, typical. Co-operative HRD institutions are thus required to adapt their curricula to meet the new needs and challenges. For example, courses in co-operative entrepreneurship become an imperative as co-operatives struggle to preserve their market share against private traders. Many of the old methods and materials used in co-operative training become obsolete since they do not match the conditions of the faster, more flexible and more competitive market. Similarly, the liberalisation of foreign trade opens up new importing and exporting possibilities for co-operatives which also place new demands on co-operative HRD.

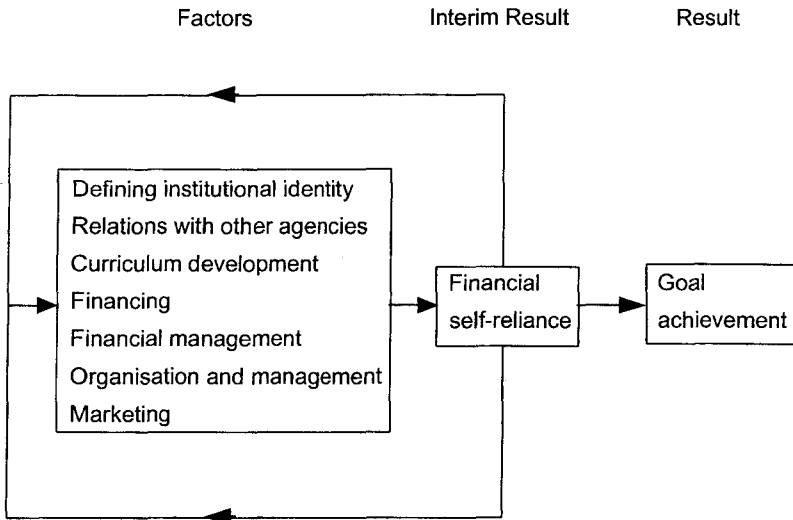
While a strong case could be advanced for the continuation of government support to co-operative HRD at current, or even higher levels, a pragmatic and realistic approach must recognise the necessity for co-operative HRD systems to become increasingly financially self-reliant. It is unreasonable to assume that in times of reduced government expenditure, budgetary austerity and the dominance of neo-liberal economic theory and free-market ideology that co-operative HRD systems will somehow remain untouched and aloof. In order to achieve financial self-reliance we must first understand the main components - philosophical, ideological, organisational, educational and financial - which determine the financial self-reliance of co-operative HRD systems.

### **3. TOWARDS THE FINANCIAL SELF-RELIANCE OF CO-OPERATIVE HRD SYSTEMS**

#### **3.1 Introduction**

We can define self-reliant co-operative HRD systems as systems which develop the ability to define their own identity, goals and objectives and to develop strategies to achieve their aims in an autonomous manner.

Clearly, financing is a central element in the notion of self-reliance, for without a solid financial base it is unreasonable to assume that institutions will be able to act autonomously. In order to reach financial self-reliance a number of factors have to be considered which, together, form a strategy for survival and sustainability. The precise components determining the financial self-reliance of co-operative HRD systems vary from country to country according to prevailing economic, social and institutional conditions but a number of broad concerns should be considered. The following model indicates a framework for considering possible strategies for reaching financial self-reliance in HRD systems:



The factors mentioned above are inter-related and form part of a comprehensive strategy. While the importance of different factors will vary from institution to institution and from country to country, HRD systems will need to consider all the above points when determining their strategies for achieving financial self-reliance. Furthermore, the diagram makes clear that reaching self-reliance is a continuous, dynamic process rather than a single one-time event. For example, self-reliance must be based on a consideration of institutional identity and need-based curriculum development, but once a degree of financial self-reliance has been achieved it may be possible to invest resources in developing new curricula and training methodologies to project the evolving identity of the institution. Similarly, financial self-reliance cannot be achieved without successful marketing but self-reliance itself will allow the release of resources for new and innovative marketing strategies. Financial self-reliance is a stepping stone on the path to goal achievement.

### 3.2 Defining the Identity of Co-operative HRD Systems

In order to make the first tentative steps towards financial self-reliance, an in-depth consideration of the identity of co-operative HRD systems must be made. Identity is based on a number of factors - principally, definition of goals, target groups and institutional affiliation.

In the past, the main target groups of many co-operative HRD institutions were government officers and staff of the co-operative movement. Due to the structural changes which have taken place as a result of adjustment policies these groups can no longer remain the main recipients of co-operative education and training. As the

focus of the co-operative endeavour shifts towards autonomous co-operatives, so does the focus of co-operative HRD. This entails abandoning the "civil service" orientation in favour of a more flexible, needs-based approach.

In addition, co-operative HRD systems should consider ways and means of seeking out new target groups which can benefit from the experience of the co-operative movement. The fast-growing informal sector, coupled with an explosion in the number of NGOs in many developing countries, has brought to the fore new groups in need of co-operative training and education. In order to service these groups more effectively, co-operative HRD systems need to review their curriculum and working methods in the light of the new circumstances. In the past, the informal sector was often regarded as an inefficient, wasteful and exploitative economic sector which had to be formalised in order to bring it into the mainstream of development efforts. More and more, the informal sector is being regarded as, minimally, a fact of life which we have to come to terms with, and at best a source of productive employment for millions of people around the world. Co-operative HRD systems, whose identity is restricted to serving the formal co-operative sector, may miss an historic opportunity to gain a new relevance and a rejuvenated mission.

The growing disillusionment with the role of government as the main actor in development efforts has stimulated a dramatic growth in the number of NGOs operating in many developing countries. These new NGOs are often community-based, need-centred and democratically managed. A large number of these new NGOs aim to serve the communities in which they operate through developing socio-economic projects based on participatory methodologies. Philosophically and ideologically, therefore, they are close to the core ideas of the co-operative movement. Many of them perceive the formal co-operative movement to be bureaucratised. Co-operative HRD has much to offer these groups but cannot do so without a redefinition of its identity, its goals and its constituency.

While much lip-service has been paid to the importance of educating women, men still have greater access to educational opportunities in general, and to co-operative education in particular. This is despite research which clearly points to the greater returns obtained through the education of women than of men. In most developing countries women are highly significant in terms of their labour force participation, dominating important sectors of the economy (agriculture, commerce etc). In addition, it should be pointed out that due to increasing hardship caused during the initial stages of adjustment programmes (increased unemployment, falling purchasing power etc.) women are more likely to seek employment to supplement family income. For all these reasons, as well as because of the moral imperative, co-operative HRD has to re-orientate itself to cater for women's needs in a more comprehensive manner. This reorientation entails a shift to a more gender-sensitive

identity, which has implications not only for curriculum development, but for staffing, management, training methodology, training materials etc.

A major factor which determines the identity of co-operative HRD systems is, of course, organisational affiliation. In the past, many training institutions belonged to the government and acted as integral parts of the civil service. In a number of countries this is changing, for example Kenya, where the Co-operative College is in the process of being transferred to the movement. While it is understandable that many colleges could be reluctant to lose the protective shield of the government, a closer link to the co-operative movement brings with it a re-examination of identity, goals and targets. However, if restrictive "ownership" by the government is merely replaced by restrictive ownership by the movement, it will be equally difficult for co-operative HRD systems to evolve a new identity which will allow them to work successfully with new target groups, such as those mentioned above.

### **3.3 Relations With Other Agencies and With Actors in Co-operative HRD**

In times of great uncertainty and structural change, co-operative HRD systems are forced to re-examine their institutional linkages and re-evaluate the nature of their relationships with the principal actors in co-operative HRD. The results of this re-examination and re-evaluation will have an important, if not critical, impact on the survival of HRD systems.

Adjustment programmes alter the way government sees its responsibilities towards different economic sectors of society, including the co-operative movement. The co-operative movement itself is not always ready to take over HRD systems as government withdraws. Co-operative HRD systems, if they want to survive and flourish, have to take bold steps in order to position themselves more securely in terms of the ever more competitive market situation.

In the light of these structural changes, it is no longer possible for HRD institutions not to co-operate with each other in order to reduce costs, avoid duplication, utilise resources more effectively and rationalise programmes. Networking can take on different forms according to needs and prevailing circumstances. In some cases HRD institutions must merge with each other - particularly where overlapping institutions struggle to cope with a shrinking market for their services. In others, a looser type of co-operation may be preferable. Linking up with other institutions, which may not necessarily be connected to the co-operative movement, in order to exploit the comparative advantage of each institution, may be one option worth considering. For example, the pooling of administrative services, classrooms, printing facilities etc. may be cost-effective without interfering with the central mission of co-



operative HRD programmes. Furthermore, networking around common concerns does not threaten the autonomy of co-operative HRD systems. The sharing of knowledge, methods, experiences and information can be for the mutual benefit of all participating institutions. Through networking, co-operative HRD practitioners learn to be more critical of their own methods of working and more creative in the search for new alternatives. The flexibility which characterises networks, if channelled effectively, can serve to make co-operative HRD institutions more dynamic and more responsive to changing market conditions.

Networking should not be restricted only to the national scene. Networking on the sub-regional, regional and global levels can bring real benefits in terms of better use of scarce financial resources. With improvements in communications and the greater mobility of people through improved transport systems, co-operation between countries takes on a new dimension. Faculty exchanges, joint training programmes and the shared design (and execution) of consulting and information services are just some of the ways in which organisations in different countries can collaborate with each other.

One potential key factor in determining the financial self-reliance of co-operative HRD systems is to increase the commitment of all actors to the co-operative HRD system. Commitment is a function of the involvement of the different actors in the HRD enterprise. Ullrich and Lindenthal in "Co-operative Human Resource Development in Adjusting Economies", Enterprise and Co-operative Development Department, ILO, Geneva, 1995, make the valid suggestion that "target groups" should rather be seen as "contributors" to the HRD system. Co-operative members and potential members, managers and other staff, policy-makers, training planners and training managers, trainers, extension workers and other promoters, and persons in charge of co-operative promotion within development organisations - all have a contributory role to play in the development of an effective, participatory, HRD system. Ullrich and Lindenthal call for a redefinition of the role of these actors in order to engage them more intensively in co-operative HRD.

### **3.4 Programming and Curriculum Development**

Unless co-operative HRD institutions can attract students to their courses and programmes, whether they enrol on an individual basis or through their organisations, financial self-reliance will not be achieved. In rapidly changing economic and social circumstances the continual adaptation of curricula to changing needs is vital.

Curriculum development must, first and foremost, be based on comprehensive needs assessment activities. Effort should be invested in researching needs

according to different types of co-operatives, different geographical areas, different target groups etc. Broadly speaking, it is clear that the new market conditions have sharpened the need for co-operative entrepreneurship skills as well as much more sophisticated management approaches. Financial control and membership participation remain central issues for co-operatives. Newer skills, particularly in the area of computing, are no longer solely the domain of business organisations in industrialised countries. Gender issues and the advancement of women in co-operatives (and of women's co-operatives) have to be integrated into the standard curricula offered by training institutions. This list is indicative, not exhaustive.

The training methods and techniques used in co-operative HRD also need to be reviewed in order to improve quality and to establish the foundations for attracting students from the co-operative movement and from new target groups. Participatory training methods such as role plays, simulation games, workshops, group exercises and so on should become the order of the day in co-operative HRD institutions.

In addition, distance education, utilising either the more traditional correspondence methods or utilising the mass media such as radio and television, have not been sufficiently exploited in co-operative HRD. In many parts of the developing world Internet coverage is expanding so rapidly that it is now feasible to consider using this media too for co-operative HRD.

Monitoring, evaluation and impact assessment are valuable tools at the disposal of co-operative HRD practitioners, which, when used properly, serve to strengthen HRD programmes. In an increasingly competitive world, effective use of these tools can give training institutions an edge over their competitors. Continuous feedback to the curriculum planners is the essence of successful evaluation activities.

The trainer is the key figure in ensuring the success of HRD activities. Too often, too little effort is invested in training trainers and in updating them about new developments in the co-operative and educational fields. If trainers do not keep themselves abreast of evolving needs, co-operative HRD becomes routine and mundane. Co-operative HRD institutions which hope to achieve financial self-reliance need to invest considerable resources in their teaching staff through refresher seminars, the provision of up-to-date material, exchange visits to other institutions to learn new techniques, better conditions of service and varying occupational challenges.

### **3.5 Financing**

This section will elaborate on the advantages and disadvantages, risks and benefits of alternative options for financing co-operative HRD systems.

### **3.5.1 Continued State Funding**

Reliance on continued state funding at previous levels will lead to the complete collapse of co-operative HRD systems. Although state funding has not disappeared altogether it is either being withdrawn or significantly reduced. Seen from the perspective of the co-operative HRD practitioner the state has major responsibilities for education in general, and for co-operative education and training in particular. It must therefore be impressed on governments that the abandonment of co-operative HRD damages the chances of successfully applying adjustment programmes and hinders progress towards achieving sustainable development. Indeed, co-operative HRD which is geared towards employment-creation deserves support from government sources. Intensive lobbying on the national and international levels to reverse, or at least delay, this process is a vital necessity.

However, it must also be admitted that demands for only public funding of co-operative HRD are not only unrealistic but are also not necessarily to the long-term benefit of the co-operative movement. In the past, public funding for co-operative HRD brought with it government control and intervention in the co-operative movement. Many of the case studies described above show that public funding often lead to supply-driven programming geared to the wishes of government officials rather than market-driven curriculum development oriented to the needs of co-operatives and their members. It is also undeniably true that state feather-bedding has often served to provide a cover for inefficiency, waste of valuable resources and duplication.

### **3.5.2 Financing From the Co-operative Movement**

As government reduces its direct involvement in co-operative development the importance of the co-operative movement increases. Co-operative movements are forced to meet the new challenges head on and, in many cases, replace government as the principal actor in co-operative development in developing countries. This trend dovetails with calls for greater autonomy for co-operatives. The co-operative movement, which sees co-operatives as voluntary, member-initiated, democratically controlled, self-help associations cannot in the same breath refuse to take on the responsibilities that professing such a philosophy entails. It is therefore incumbent on all sections of the co-operative movement - primary societies, regional unions, apex organisations - to play a bigger role in co-operative development including the funding of co-operative HRD.

Co-operative societies can fund co-operative HRD through allocations to education and training from their surplus. Indeed, this is a legal requirement in some countries. In addition, an education levy can be set in order to provide funds for co-operative

colleges. Whether this is included in, or additional to, subscriptions from primary societies and regional unions to apex organisations will vary from country to country according to specific conditions. A concerted effort by the movement to establish a self-reliant co-operative HRD system responsive to the movement's needs is of paramount significance.

The advantages of taking such steps are several. Firstly, funding from the movement will ensure that co-operative HRD remains market-driven and relevant to the real needs of co-operators. Co-operative movements will be forced to undertake in-depth needs assessment activities and to design programmes tailored to the resources available. Secondly, members will demand more effective control over the use of resources since those resources will be derived from the membership itself. This will pressure co-operative HRD institutions to improve efficiency and service-delivery to their constituencies. Thirdly, a concerted effort to create a member-driven co-operative HRD system will provide a renewed sense of purpose to apex organisations battered by adjustment policies.

On the other hand it must be recognised that in many countries apex organisations are weak and, in the present circumstances, may not be able to mobilise and manage such funds. If the co-operative movement fails to raise sufficient funds co-operative HRD systems could collapse, making it extremely difficult to rehabilitate them. In an ideal world the movement should have the primary responsibility for financing co-operative HRD but, regrettably, this is not a realistic possibility in many countries.

### **3.5.3 Donor Agencies**

It is unlikely that the level of donor funding for co-operative HRD will reach the levels of the past. In some industrialised countries international aid is increasingly under pressure from powerful isolationist lobbies who regard aid as, at best, a luxury their countries cannot afford. Of course, this phenomenon is not universal - many countries which have traditionally devoted a high percentage of their GNP to development aid continue to do so.

All countries, however, demand more rigorous evaluation procedures regarding the dispensing of funds than in the past. In this context, co-operatives are sometimes seen as remnants of the old state system and as such undeserving of further support. There is widespread and creeping disillusionment with the ability of governments in many countries to make development happen and a new realisation of the importance of non-governmental organisations (NGOs). Genuine autonomous co-operatives are NGOs par excellence but are often tarred with the brush of state

protection. If co-operatives and co-operative HRD are truly identified with the NGO sector then new possibilities for receiving donor funding open up.

In the light of more detailed and rigorous impact-evaluation techniques many donor agencies are today more inclined to finance specific, short-term, measurable projects with clear goals and objectives. Co-operative HRD systems can benefit from such funds if they meet donor criteria. It is unreasonable to assume that donor agencies will contribute to institutions and their programmes without conditioning funding on institutions' policies and performance.

#### **3.5.4 Students' Fees**

Many co-operative HRD systems face the dilemma of charging fees and witnessing a drop in the student intake or not charging fees and not being able to finance courses.

In the past many co-operative HRD institutions refrained from charging fees directly to participants on the grounds that co-operative education was an investment in human resources which would become beneficial to the nation. Those that viewed co-operatives as a useful tool of government policy, also came to regard students of co-operation as useful tools of government policy, exempting them from payment. This view was compounded by the fact that many of the students were seconded from, or destined for, government service and anyway the lines dividing the government and the co-operative movement were rather vague. In addition, the notion that education was a right and should be given free by the state was very prevalent. As a consequence, fee paying by students was rare and instead the costs of tuition were usually borne by the government or by the co-operative movement.

Adjustment policies, financial constraints and more broadly the philosophy of neo-liberalism, have called these ideas into question. Education, and particularly adult education, is less seen as a right and more and more seen as a privilege which should be paid for directly by beneficiaries. The argument that "people only appreciate things if they pay for them" is a powerful one, particularly in times of reduced budgets.

It is necessary at this point, however, to make a distinction between long-term certificate or diploma courses at co-operative colleges, where there is little justification for not charging fees and say, member education at the primary society level which is designed to raise the awareness of members so that their co-operative may function more effectively. In the latter case it is doubtful whether co-operators should be asked to cover the costs directly on an individual basis. If charges have to be made then it would be more appropriate for the education fund of the co-operative to cover the costs.

If co-operative HRD systems are to operate on a self-financing basis then should trainees be asked to cover the full real costs of their education? In many cases the cost will be prohibitive, particularly for the weaker sections of the population who may be in the greatest need. It is therefore necessary to design a fee structure which is both equitable and reasonable on the one hand, and economically viable on the other. A benchmark for determining the precise nature of the fee structure could be those used by comparable institutions in the local economy. Funds from other sources should be used to subsidise the costs of co-operative education and to reduce fees. Scholarship facilities should be available for students in genuine need.

The main risk of introducing payment for co-operative HRD is, of course, that demand may drop. Co-operative HRD is often seen as a luxury rather than a necessity, particularly in times of economic distress. The struggle to find solutions to immediate problems often gives HRD a low priority status. Nevertheless, courses have to be conducted at cost-prices and not free of charge, with funding from all contributors in the co-operative HRD system - governments, the co-operative movement, donor agencies and the trainees themselves.

### **3.6 Financial Management**

Aside from the central issue of obtaining funding, a critical factor determining the financial self-reliance of co-operative HRD systems is the financial management of those systems, and indeed, the efficient use of the limited resources available.

Efficient financial management depends on a number of factors, principal of which are proper budgeting, costing, planning, monitoring and control.

There are essentially three stages in the struggle to satisfy the multiple needs or wants of an educational system or institution:

1. Planning the overall framework of activities, defining objectives and the means needed to achieve those ends, in terms of figures representing quantities and money values.
2. Carrying out activities according to the budget
3. Controlling the costs of activities by comparing figures related to actual costs to those of the budget, so that one can learn from past errors and prevent undesired results.

An essential part of any budget is the cash-flow budget which must, if realistic, ensure that the management of an HRD system will not find itself short of cash to pay salaries, day-to-day expenses etc. Most institutions receive a major portion of their income through conducting activities, necessitating improved planning methodology to assure a regular flow of income throughout the year.

Effective budgeting depends on accurate costing, being able to predict future costs with a fair degree of accuracy and detailed planning based on realistic estimates of the demand for educational services. Monitoring and controlling income and expenditure are also key elements in effective financial management. Deviations from budgeted figures must be rigorously examined, analysed, interpreted and acted upon by the management of co-operative HRD systems.

Financial management is complicated by the rapidly changing environment but is absolutely vital to the achievement and sustainability of self-reliant co-operative HRD systems and institutions, particularly at a time when these systems become divorced from the regular government budget. The trend towards viewing institutions (including HRD institutions) as closed "profit-centres", forces them to pay much closer attention to financial management than in the past when governments, or other agencies, often simply made up the difference between income and actual costs. Therefore, co-operative HRD systems will need to become much more professional and business-minded in their financial management procedures if they wish to survive and grow.

### **3.7 Organisation and Management**

The economic changes taking place globally through liberalisation, deregulation and an increasingly competitive market are changing the way we see organisations. Bureaucracies are everywhere under attack and are viewed as inappropriately designed for the challenges the new market conditions are bringing. Bureaucracies tend to respond slowly to changing needs, where a more dynamic and flexible approach may be preferable.

Co-operative HRD institutions find it increasingly difficult to maintain large numbers of permanent staff whose wage bill is by far the most significant item in the list of overheads. Co-operative HRD institutions are being forced to reconsider the ratio between permanently employed and free-lance teaching staff. The civil service code called for hiring staff on a permanent basis, granting tenure to academic and often non-academic staff, too. However, this organisational pattern may no longer be possible in a period of adjustment and budgetary austerity. Hiring teaching staff on a free-lance basis may be cheaper as well as giving institutions the flexibility they need to respond to new challenges.

Another common feature of the changing world of work is the increasing incidence of sub-contracting. Instead of the old pattern where all the services of an institution were provided by staff permanently employed by that institution, today a number of services are provided by sub-contractors. In many institutions, including educational establishments, meals are now provided by professional caterers often at a lower

cost with better service. The same can be said for cleaning, laundry and other auxiliary services. One clear advantage of sub-contracting for HRD systems is that educators can spend more time doing what they know best i.e. educating, rather than being concerned with the day-to-day problems of managing and supplying auxiliary services. However, sub-contracting may not be appropriate in all circumstances, neither should it be considered if it is merely a cover for the exploitation of cheap labour.

Administrative procedures in co-operative HRD systems need to be streamlined in order to make the best use of scarce resources. Self-reliant co-operative HRD systems need to be more cost-effective and less bureaucratic in their approach to organisational culture. This is necessitated not only by budgetary constraints but also by the need to show an example to co-operative societies who may also be forced to streamline their administrative procedures. When co-operative HRD is increasingly financed by its users, demands by them for more efficiency and less waste are often justified.

To establish an organisational culture characterised by dynamism, innovation and flexibility, co-operative HRD systems have to develop appropriate personnel policies with a strong emphasis on the development of their own human resources. Often, HRD institutions are good at teaching others how to improve HRD but neglect their own staff. New staff should be selected according to their suitability to the new objectives and tasks that co-operative HRD institutions set themselves. It should be remembered that the transformation of HRD institutions to a state of self-reliance will not be successfully achieved without staff participation in decision-making regarding the transformation process itself. The old hierarchical modes of operation may have to be disregarded in the quest for the staff commitment needed to turn institutions around.

### **3.8 Marketing**

Marketing has probably been the most severely neglected activity of co-operative HRD systems. Serving a "captive audience" of civil servants and officials of state-dominated co-operatives obviated the need for marketing of HRD programmes. Under these circumstances marketing was an unnecessary, resource-wasting activity.

Due to the radically changed conditions this approach is no longer appropriate. In order to utilise both human and financial resources more efficiently co-operative HRD systems must increase the number of courses, seminars, workshops and study-days, which generate income for the HRD system. The experience of the International Institute of Israel is a case in point. By expanding the number of



courses financed by outside organisations it was possible to increase net income, utilise manpower more effectively and spread overhead costs. Experience shows us that often HRD practitioners believe that they are stretched to the limit in terms of their work-load, but in reality there is usually room for improving time management and general efficiency.

A number of conditions must be met in order for a marketing campaign to be effective. Firstly, there must be an understanding by all staff members that increasing the number of programmes is a financial necessity (in addition to the intrinsic benefits brought by serving a larger constituency). Secondly, a critical assessment of both market needs and institutional capabilities must be made. One product of this process may be a recognition that organisational changes may have to be made in order to match institutional capabilities to the market situation. The quality and the variety of training programmes may have to undergo a thorough overhaul. Thirdly, appropriate marketing strategies and activities must be designed and people assigned specifically to the task of marketing. Different internal organisational structures will be preferred by different institutions and systems, however, simply appointing a marketing director is unlikely to provide a sufficient answer to the problem. Experience from both the commercial and HRD worlds shows us that all staff members can contribute to the marketing process, by offering ideas, making contacts and utilising a variety of fora for promotion of the "product" - in our case, co-operative HRD.

Considerable attention must be given to the identification of potential target groups. Clearly, an intensive on-going needs assessment within the co-operative movement must be conducted. Co-operative colleges may have to abandon or adapt traditional course programmes to cater for changing needs within the movement. Furthermore, effective marketing may make it possible to increase the number of foreign students participating in existing courses. New curricula may have to be designed specifically to attract more foreign students.

New target groups in the informal sector, the business community and broadly, the Civil Society must be sought out. Many of the subjects taught by co-operative HRD systems such as management, accounting, human resource management etc can just as well be taught to groups and individuals outside the co-operative movement. Teaching staff may have to re-orientate their teaching material but undoubtedly there is much potential for utilising the expertise and experience of co-operative HRD practitioners more effectively and efficiently. By approaching the above mentioned groups they may be drawn closer to the co-operative movement and its ideals. Indeed, many see the future of the co-operative movement in developing countries in terms of its ability to develop linkages with the informal sector.

The main risk of broadening the scope of co-operative HRD systems to include groups not connected with the co-operative movement is the potential loss of the co-operative identity that this step may entail. If the proportion of non-co-operative movement affiliated participants exceeds those affiliated to the movement then the *raison d'être* of the co-operative HRD system is, justifiably, called into question. A clear distinction must therefore be made between "core" activities designed to serve the needs of the co-operative movement and "peripheral" activities designed to provide income to support "core" activities. The process of making this distinction must be based on a review and reaffirmation of the identity of the co-operative HRD system

### **3.9 Non Course-Related Income-Generating Activities**

Educational institutions can, and do, finance their programmes through the initiation and development of non-course related activities. These activities can be divided into three main categories:

- a) Productive activities such as farms and small-scale enterprises
- b) Renting out of facilities such as meeting halls, classrooms, bedrooms, computer laboratories etc
- c) Commercialisation of existing services such as printing presses, consultant and research services

A number of co-operative HRD institutions utilise productive activities to finance educational programmes. The case of the Yekatit 25 Co-operative Institute in Ethiopia is perhaps the clearest example, where a production division serves as both a model farm for instructing students and as a source of income for the Institute. The production division includes large scale cereal farming, a dairy farm, a sheep farm and a beef cattle farm. The Co-operative College of Kenya intends to develop a similar scheme through vegetable growing, poultry keeping and dairy farming.

These schemes can provide very useful (and substantial) income for co-operative HRD providing that they are managed properly on a commercial basis. If such schemes are run poorly in an unprofessional manner they will cause a drain on scarce resources rather than the opposite. Therefore, suitable organisational arrangements should be created to ensure that, on the one hand, the management of such schemes is independent and motivated by commercial considerations, and on the other hand, that profits from the schemes are fed into the co-operative HRD system.

Many co-operative HRD institutions also consider renting out facilities as a source of income. Clearly, this method is more appropriate for colleges than non campus-

based HRD systems. Inevitably, all educational institutions - schools, colleges, universities etc - have facilities at their disposal which are under-utilised. These facilities may include classrooms, bedrooms, meeting halls, dining rooms and kitchens, gardens and even offices. Not all colleges are situated in locations which can attract demand for facilities, but for many this is a real option. The classrooms and dining facilities used by the International Institute in Israel are regularly rented out to local organisations in need of a high-quality study environment relatively isolated from the distractions of the city and cheaper than hotels. The Co-operative College of Zambia rents out its facilities for weddings and other celebrations. It was reported that a college belonging to the National Co-operative Union of India has such an impressive garden that it is rented out for film-shooting!

Computer laboratories are also much in demand and can provide substantial income for co-operative HRD if utilised properly. The capital investment in computer teaching facilities is quite high but nonetheless vital for co-operative HRD institutions wishing to "keep up with the times" and attract new students. In order to achieve an adequate return on investment as well as providing extra income for HRD, computer laboratories can be hired by a variety of users in need of such facilities. In general, the demand for computer training is so large in most countries that institutions with computer teaching facilities could raise significant income by marketing evening computer courses, weekend intensive "teach-ins", holiday "computer camps" etc.

A number of co-operative training institutions run printing presses, provide consultant services and conduct research activities, mainly directed at the co-operative movement and linked to existing teaching programmes. A further possibility for raising funds is to commercialise these services and offer them to both private and public institutions as well as to the co-operative movement. The expertise and knowledge at the disposal of co-operative HRD institutions can provide a strong basis for income-generating activities. The Co-operative College of Kenya intends to move in this direction while the National Co-operative Union of India is considering conducting impact evaluation studies for parastatal agencies hitherto performed by the private sector. The Co-operative College of Tanzania intends producing professional material for sale.

The advantages of developing non course-related income-generating activities are obvious. Indeed, almost any activity which can deliver funds to co-operative HRD systems should be seen as a blessing. However, there are also risks to be considered. The main danger lies in the possibility that co-operative HRD systems will embark on grandiose schemes for which they have neither the expertise, nor the experience. For such income-generating schemes to bear fruit, HRD institutions should carefully weigh up the pros and cons of different proposals, develop appropriate organisational structures to handle the different activities and manage

and control these activities in a professional and market-oriented manner - in other words, practise the lessons taught in management courses! It is advisable to proceed step-by-step, evaluating each activity according to the real benefits brought to co-operative HRD.

#### **4. SUMMARY AND CONCLUSIONS**

This paper has attempted to identify and systematise the main components that determine the financial self-reliance of co-operative HRD systems and suggest alternatives for financing those systems.

It should be immediately apparent that no single, universal solution to the very real problems facing co-operative HRD systems is available. Rather, a variety of options must be considered leading to a truly integrated approach.

It has been argued that self-reliance is not solely a financial question although, inevitably, finance lies at the heart of any attempt to achieve self-reliance. Self-reliance is derived from a variety of factors, principal of which are: defining institutional identity, defining relations with other agencies, curriculum development, financing, financial management, organisation and management (including personnel policies) and marketing.

The different options for financing co-operative HRD systems can be grouped under the following headings: state funding, financing from the co-operative movement, funding from donor agencies, students' fees, marketing of courses and non course-related income-generating activities.

An integrated approach to financing co-operative HRD systems will include a variety of options tailored to the specific circumstances of each country/ system/institution. With significantly reduced funding available from government sources, co-operative HRD systems are forced to tap all possible sources of income, partially at least not to replace dependence on the state by dependence on other institutions. Clearly, each system will have to make its own choices regarding the most suitable approaches to achieve financial self-reliance.

One important factor which will assist co-operative HRD systems to achieve their goals is networking. Networking is a loose form of co-operation, on changing subject matters, among changing institutions, groups or persons who may only have limited points in common.

Through networking, information and expertise is exchanged between co-operating institutions. Networking can provide not only the basis for a more effective exchange of information between institutions but also the stimulus for rationalising activities on the regional, inter-regional and global levels. The ILO COOPNET Programme

(ILO/DANIDA Programme on Human Resource Development for Co-operative Management and Networking) facilitates this form of networking among its partners.

The network established among the Co-operative Colleges of Kenya, Lesotho, Swaziland, Tanzania and Zambia is designed to promote the exchange of information about the work of the colleges and about co-operative development in general. Some of the instruments used by this network are faculty exchanges, meetings of principals and the exchange of training and research materials.

A pre-condition for successful networking is a willingness of co-operating organisations to share. In the context of this paper the benefits of sharing information and experiences should be apparent. If co-operative HRD systems are to survive and grow and serve their constituencies ever more effectively they can only gain from genuine, open and frank networking.

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### **4.4.3.3 SWAZILAND APPROACH TO HUMAN RESOURCE DEVELOPMENT**

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#### **INTRODUCTION**

Swaziland is a small independent kingdom located in the Southern part of Africa. It measures 17604 square kilometres in size and has a population approaching a million with a growth rate of 3.4% per annum. It is a landlocked country which is surrounded by the Republic of South Africa in North, South and West and by the Republic of Mozambique on the East. Seventy percent of the population of the country lives in the rural areas.

Swaziland has only one tribe of people and therefore has the advantage of communicating in one language which is Siswati. English is the second language and is official.

Economically, the country can be classified in the middle income countries. Swaziland has housed quite a handful of investors, the majority being from the Republic of South Africa and abroad. For its export trade the country depends on sugar, wood pulp and citrus fruits. For its economic sustainability the country depends a lot on South Africa.

The Structural Adjustment Programme has not yet been imposed on the country, but the government has taken the initiative to make internal adjustment programmes within the government ministries as there are a lot of uncertainties about the future's economic growth rate.

#### **HISTORY OF CO-OPERATIVES IN SWAZILAND**

The history of co-operatives dates back to the year 1963 where the Department of Co-operatives was first established under the Ministry of Agriculture. The following year saw the enacting of the *Co-operative Societies Proclamation of 1964*, which was the supreme law governing the operations of co-operatives.

The approach in introducing co-operatives in the country was that it was initiated by government for the benefit of the people of Swaziland. The Development of Co-

operatives over the years has been sluggish, especially in the field of agricultural co-operatives, whereas these were the first types of co-operatives established and promoted during inception of co-operatives.

Savings and credit co-operatives were also established simultaneously with the agricultural co-operatives, but on a smaller scale in the rural areas. They only began to flourish in the late 80s and are the more stable and progressive type of co-operatives in the country. This is attributed to the fact that they have been formed by people in their different work places who have a steady income and are able to patronise and service these co-operatives on a-month-to-month basis, with the aid of payroll deductions. This has had the effect of building and accumulation of resources in a much faster and stable manner over a short space of time.

There are 114 active co-operative societies in Swaziland divided into savings and credit, agricultural co-operatives (which include farmers co-operatives involved in farm inputs and co-operative farming, poultry co-operatives, livestock and dairy co-operatives), consumer co-operatives and handicraft co-operatives. The following are figures illustrating the type of co-operatives and the funds accumulated by the respective co-operatives:

Type of co-operative	No. of active societies	Funds accumulated [Million US\$]
Savings & Credit	21	9.05
Agricultural	83	0.71
Others	8	0.49
Apexes - SASCCO	1	2.12
CCU	1	2.14
<b>Total</b>	<b>114</b>	<b>14.51</b>

#### **THE CO-OPERATIVE DEVELOPMENT CENTRE (CODEC) AS AN AGENT OF CO-OPERATIVE HUMAN RESOURCE DEVELOPMENT**

Following the inception of co-operatives in the country in 1963 a need arose to educate and train members of the co-operatives and personnel entrusted with the supervision of such co-operatives. This then saw the establishment of the Co-operative Development Centre in 1976, which was to be mainly charged with education and training of all role players in the co-operative management.



The establishment of CODEC was a joint effort of the Swaziland Government, International Labour Organisation (ILO) and the Swedish International Development Authority (SIDA). The infrastructure of CODEC is such that there is provision of lodging for 95 trainees at any one time and conference facilities.

The centre currently has 7 trainers in its employment with different specialities and skills in Accounting, Law, Marketing, Management, Retailing and Communication. All trainers hold degrees obtainable from the University of Swaziland and abroad in these different fields.

The trainers are constantly kept abreast in current issues affecting co-operatives by way of workshops, exchange programmes sub-regionally between Lesotho, Botswana and occasionally Namibia and hopefully South Africa in the near future.

### **Approach Towards Human Resource Development**

CODEC is mainly committed to co-operative education and training which addresses specific needs and problems experienced by all role players in the co-operative movement. To this end CODEC liaises with all the relevant organisations (apexes) and Co-operative Extension Department who work very closely with co-operatives at grassroots level when planning educational activities. Once every year at the beginning of government's financial year all of the parties involved in the development of co-operatives come together in a plenary meeting where educational activities for the coming year are planned.

When planning educational activities to be undertaken, special emphasis is placed on pinpointing deficiencies in performance of personnel employed by the societies committee members, and members of the co-operatives themselves in a bid to improving their performance and ultimately that of the society.

Prior to the implementation of a programme as planned for that year, CODEC trainers undertake a need assessment of the target group to be trained. This is done by way of interview of the target group as to what they desire to learn, what deficiencies they experience while performing their duties. The trainers also look into the desired performance they, together with trainees, would like to achieve at the end of training.

With all of this information a course content, structure, and methodology are formulated. In each and every course conducted it is the policy of the trainers to evaluate the impact of a course in addressing the needs and objectives for training.

Follow-up programmes by trainers for courses run are undertaken in the field where necessary, to ascertain whether or not training has been effective.

### **Types of Courses Offered at CODEC**

CODEC offers 2 main types of courses, namely a Certificate in Co-operative Business Management and tailor-made courses, which are either residential or on outreach.

#### ***Certificate in Co-operative Business Management***

The Certificate Course is pursued in 3 levels of 3 months each. In order for a trainee to qualify for the next level he ought to have passed the previous level.

This course is offered to co-operative society employees and the co-operative department staff (inspectors of co-operative societies and co-operative officers) who do not have any previous training on co-operatives.

The main aim of this course is to enable participants to be able to carry out their respective tasks from a sound co-operative approach.

In between each of the levels, participants are required to return to their different work places where they are expected to apply what they have been taught in carrying out their tasks. Occasional field visits by trainers to these trainees are imperative in order to assess performance on the job and application of co-operative principles as taught.

Trainees also have the opportunity to inquire from trainers about technical problems they experience on the field. This whole exercise creates an environment where theory and practical application of co-operative principles are merged.

Trainees who may wish to pursue the Certificate in Co-operative Management Programme have to satisfy the following requirements:

- a) have to be employees of co-operative societies and in possession of at least a Junior Certificate.
- b) have to have attended and passed a one month Induction Course which in essence prepares and qualifies the trainee for admittance to the certificate programme.

#### ***Tailor-made Programmes***

These are courses that may run from 1 - 5 days either as residential or outreach courses. They are mainly run in response to needs and deficiencies in performance pinpointed in the role players in the co-operative movement, be it the members, committee members, co-operative movement employees or the co-operative department employees (government staff).

As already pointed out, the structure and content of the courses are highly dependent on the input from trainees and trainers working jointly to address the deficiency in performance.

For the past years, members who in essence are owners of co-operatives have always taken a secondary role in planning and implementation of projects and activities to be undertaken in their co-operatives.

This saw a situation where co-operatives would not flourish as desired, because fewer manpower would be entrusted with the task of planning and implementation of projects.

A technique of Co-operative Member Participation (CMPP), which encourages full participation of all members in planning and implementation, was introduced to Swaziland co-operators 2 years ago. 10 societies in the country have had this technique introduced to them and the impact of this programme has been found to be positive in all these societies in that new projects have been undertaken and have successfully been mounted.

### **Gender Sensitisation**

In the past 1 1/2 years Swaziland has been able to carry out networking in the area of gender through the assistance of ILO/COOPNET who provided human and financial resources. Since then CODEC and all co-operative human development agencies have started sensitising people on gender issues more, especially the area of encouraging participation of both genders in holding society positions as well as participating on all activities of the society. It must be said that gender issues have become part of CODEC syllabus, similarly the apexes have appointed people responsible for it.

### **Strength of CODEC Approach to HRD**

1. CODEC has a strong link with the trainees in the field in that, where possible, there are follow-ups and field visits to assess and evaluate performance of trainees on the job.
2. CODEC is not only committed to teaching theory, but also places emphasis on practical application of principles learnt in the classroom. This is the form of breaks in between the levels where the trainees return to their respective societies and put into use what they have learnt before they come to the next level.
3. The curriculum used at CODEC is sensitive to the needs of the co-operative movement in that before undertaking training the trainers design a course

content which to a large extent addresses problems and the ideal tasks expected to be performed by the trainees. The follow-ups and field visits also help to a great extent in pinpointing areas of immediate concern and therefore need for training.

4. For effective development of skills of all role players in the co-operative movement CODEC also extends its educational services by conducting outreach courses in a designated venue within close reach of the societies in question. The trainers and trainees share experiences among each other while conducting the courses which ultimately creates the formation of a strong link between these two parties. This approach to training benefits both the parties in that problems/deficiencies in societies are easily detectable, thus making it easier for trainers to be in touch with reality.
5. CODEC, from time to time when the need arises, mount tailor-made courses for similar types of co-operatives. For example, a course for newly elected committee members for savings and credit co-operatives. This has its advantage in that best results are achieved because discussions and problem solving are centred around similar operations.
6. CODEC works closely with the co-operative extension department and the apex organisations in the country. This serves as a benefit to CODEC when formulating an annual working plan for the institution, because these departments and organisations have a close contact with the societies they work with and are thus able to come up with needs for training.
7. CODEC has made it its priority to conduct research as a form of checking causes of deficiencies experienced in the co-operative movement. This to a large extent has influenced a number of tailor-made courses mounted in an effort to address those deficiencies. The research results are highly favoured in that they portray a national picture of co-operatives, therefore training influenced by deficiencies found benefit societies nation-wide.

#### **Shortcomings in CODEC Approach**

1. One of the main inhibiting factors in CODEC's effort to providing effective and efficient training to committee members and members of societies is illiteracy. This poses a problem, especially in technical skills and general management of the business, which may involve supervision and monitoring of the business. At the moment, CODEC is unable to come up with an immediate solution to this problem, because the aforesaid persons as owners of the business cannot be omitted from training.

2. Another problem frustrating CODEC's effort to providing effective training is that societies employ incompetent people who due to their low level of education have been found difficult to train and therefore unproductive in the societies.
3. To this end efforts have been made by the institution to curb this problem by conducting a personnel management course to the committees countrywide. The main emphasis was the method of employment of competent personnel. Topics covered among many included the procedure for recruitment and selection grievance/disciplinary procedure, motivation of employees and labour laws. A marked improvement has been observed in that some societies have been seen advertising vacant posts in the daily press since then.

## **CONCLUSION**

CODEC as an institution has still got a potential to grow from strength to strength in its effort to meeting the co-operative movement needs for training and thus ultimately developing all societies in the country.

CODEC, Swaziland in conjunction with CODEC, Botswana and Lesotho, had the privilege of hosting the first workshop on curriculum development which ran for a week. This workshop was sponsored and facilitated by ILO-COOPNET wherein wide expert knowledge and experiences were shared on how to come up with an appropriate and effective curricula that addresses areas of the job of the trainee through task analysis.

Amongst other action plans that were presented by Swaziland after the workshop was the formation of a curriculum development committee which is to be composed of the trainers themselves, a representative of the department in field, the Commissioner for Co-operative Development's representative and representatives of the two apexes in the country. It also came out that all levels and other tailor-made courses and seminars mounted by the institution will as much as possible be carried out by type of co-operatives the trainees belong to in order to maintain homogeneity.

## **4.4.4 GROUP E: GENERATION OF AND ACCESS TO FINANCIAL RESOURCES**

### **4.4.4.1 CO-OPERATIVE FINANCE AND TECHNOLOGY: CO-OPERATIVE BANKS AND CREDIT UNIONS**

*By*

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#### **PREAMBLE**

Eighty percent of the world's population lives in developing countries. The financial markets in these countries serve less than 20% of their populations adequately. This is because the majority are low income groups whose demand cannot sustain the costs of conventional financial service delivery.

Sustainable economic development depends upon the ability of the economy to mobilise savings and invest those savings in enterprise development. People need the means to save and accumulate financial assets. Entrepreneurs, farmers and ordinary people need access to credit for productive purposes that will expand business and create wealth.

Hundreds of millions of dollars have been spent by governments and to a lesser degree commercial banks, trying to address problems related to the lack of credit for enterprise development. Co-operative banks, credit unions, specialised lenders and government sponsored credit projects have been put forward in response. However, despite a tremendous effort these institutions have failed to realise original expectations.

A sustainable solution will make the business of banking profitable in markets that have previously been characterised as high cost and low value. The floor at which services break even has been high because of delivery costs for the bank. This keeps viable banking services at the top of the social-economic pyramid, out of reach of the majority. Lowering the floor at which banking becomes profitable opens markets exponentially.

## **CREDIT UNIONS**

One unique characteristic of all credit union systems is that these institutions grow - "lock step" first with the capacity of communities to mobilise and manage savings. Building a credit union in the traditional manner is synonymous with human resource development. A credit union cannot grow faster than its members can manage it. Attempts to "hot house" this human development process have led to failure.

The cornerstone of the credit union institution building process is the common bond of association. This common relationship among all members forms a "social cement" that provides for informal social discipline of the credit allocation system in the absence of formal management and information systems. When management capacity develops member confidence shifts from the "common bond" peer relationship to management.

In many developing rural economies social and economic conditions cause a heightened degree of risk and cost for financial intermediation. In such environments traditional credit unions are determined to have a limited impact. Credit unions cannot significantly contribute to the financial deepening that is required in these environments because of their limited management capacity. For this reason many managers have built top heavy two and three tier credit union systems with management concentrated at the top. Managers realised that members could not sustain the "development engine" of the secondary or apex level and have in some cases used the system liquidity to invest in non credit union subsidiary business activities to sustain their structures.

## **CO-OPERATIVE BANKS**

In a number of countries national co-operative systems have recognised the need to pool their financial resources to maximise the use of their total liquidity. Co-operative banks have been created to serve the wholesale financial needs of co-operative organisations. Primary co-operatives in all sectors and their representative second and third tier institutions have been encouraged to capitalise and then utilised the services of the co-operative bank. The membership base of the co-operative bank being registered co-operative organisations.

The problems that some co-operative banks have found themselves is connected to the general malaise of many co-operative systems, particularly in Africa. The costs associated with servicing the co-operative sector could not be offset by sufficient volumes of co-operative business. In order to survive, some co-operative banks have turned to serving individual entrepreneurs and non co-operative business. In some cases this has caused the bank to compete with the credit union system.

An advantage of the co-operative bank model lies in its ability to deliver basic financial services through a formal banking delivery system. Banks have the ability to mobilise capital and provide quality products and services that are in demand. They do not have the inherent problems of management capacity that the credit union system has, nor are they facing the costs associated with the training and development of the rural client base. A bank can identify a market and make a management decision to service that market. The bank can also employ modern information technology and other innovations to reduce cost because it has a structure that permits employing sufficient management to utilise that technology.

### **NEW INSTITUTIONAL ARRANGEMENTS**

The strength of a credit union lies in the member commitment that comes from local autonomy and local control. Bedeviling success is a lack of local management capacity. The strength of the co-operative bank is in its management capacity and the ability to manage the delivery of formal financial products and services. Inhibiting growth is the cost of delivery and the lack of access to rural markets. Taken together the co-operative bank could lend the credit union system management capacity in the rural areas and the credit unions could provide the co-operative bank access to rural markets.

### **NEW TECHNOLOGY**

In order to provide financial services to outlying areas at a cost that is viable for both the consumer and the co-operative new technologies must be employed. Information and communications technology has recently become available that can reduce transaction costs to a level that makes the provision of financial services profitable in rural areas.

### **INFORMATION TECHNOLOGY**

Full-service retail banking applications are becoming available for small and medium-sized Financial Institutions (FIs). The new 4th generation language technologies (relational data base systems) allows maximum functionality and scalability to meet the individual needs of community banking. While offering full-service functionality, the same technology can be scaled down to the needs of the most basic savings and loan facility. An appropriate application will be so scaleable as to be able to meet the requirements of full service host based multi-branch systems running on a large platform, or the very simple requirements of a small credit co-operative or non formal institution running on a PC or a notebook.



The 3rd generation retail banking software used by large banks is 15 years old, very expensive, and only suited to on-line mainframe environments. PC DOS or Windows based technology, although cost effective, implies a distributive data base. PC based applications lack functionality, do not permit access to electronic payments systems (such as ATM's) and are associated with technical and support problems. A true 4th generation application finds its niche between these two technologies. Offering the functionality and stability of large mainframe systems but at the cost of low end PC based applications.

### **WIRELESS COMMUNICATIONS TECHNOLOGY**

FI's require on-line host based networks to maintain branch and agency relationships and to provide access to ATM and modern electronic payments systems. A *distributed off-line data base implies control, security and accessibility problems*. But how can an on-line environment be maintained where data lines do not exist? Technology recently available to Africa utilises an inexpensive and reliable "spread spectrum" radio technology, by-passing the need for hardwired telecommunications entirely.

Operating in the unlicensed radio spectrum, this technology presents a solution that transmits "packets" of digital information, using the same TCP/IP protocol as the Internet. The (TAL)<sup>1</sup> wireless networking technology incorporates smart software that delivers 100% error correction, data collision avoidance and dynamic network management. Through a network of inexpensive radio routes, the FI can maintain on-line communication with all branches and agents without being reliant on local telecommunications infrastructure. In addition to data transmission, the system can be used for voice and interactive video.

### **BRANCH AGENTS**

In order to effectively achieve low costs financial services delivery to rural communities the pre-existing rural commercial infrastructure should be employed. Where capacity exists, co-operatives, credit unions and local business can be licensed as agents for the co-operative bank. In the case of a private trader acting as agent, the commercial relationship is enhanced by the possibility of extending credit with a risk sharing mechanism. In the case of a credit union acting as agent, the credit union may have access to surplus liquidity within the system. Agency

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<sup>1</sup> Wireless technology is now being promoted widely in Africa for telephone communications. by a number of service providers Tetherless Access Limited (TAL) is a low cost data network currently being introduced by partnership with CCA South

relationships with credit unions also can have the added advantage of locating the supervision and credit discipline external to the social dynamics of credit union and place it with the bank.

Credit unions not acting as bank agencies could transact business with bank agents. They could deposit their surplus liquidity into a co-operative bank account at the local agent. The credit union league central finance transactions could be channelled through the bank. With an appropriate technology infrastructure entire credit union member records could be set up on a centralised system to provide individual credit unions with up to date accounts complete with all financial reports they or the league deems necessary to maintain their prudential standards. The league could enjoy on-line access to complete member financial information. Loan applications from individuals, groups or co-operatives can be received at the agency and transmitted to the main office for action. Disbursements can all be handled from local accounts with speed, accuracy and efficiency.

Rather than duplicate the financial infrastructure credit union systems and co-operative banks should consider combining their resources to exploit the existing rural financial infrastructure of commercial banks, trading companies, and any other institution that has sufficient management capacity and can be held accountable to a contract.

## **CONCLUSION**

Co-operative financial institutions can play an important role in the delivery of basic financial services. The liberalisation of markets and the realignment of rural institutions consistent with the new liberalised policy environment requires a functioning rural financial intermediation system. A strong development argument can be made to justify using public and international assistance to develop rural institutions that will provide financial services. Small farmers and rural entrepreneurs are not adequately served by existing financial institutions nor will they be unless new arrangements are made to develop low cost financial services delivery. Co-operative financial institutions, properly managed can provide that service.

Any development initiative should be aimed a total re-engineering of the concerned institutions. This would involve an extensive process of realignment and development. The creation of new products and services and the development of markets and new institutional relationships. Given the importance of rural finance to the success of government policy the co-operative sector should be able to convincingly argue that necessary legislative exemptions and institutional support be afforded toward the objective of building a viable co-operative rural financial institutions.

## 4.5 PRESENTATION OF GROUP WORK RESULTS

### 4.5.1 GROUP A: ADJUSTMENT PROGRAMMES, TRANSPARENT MARKETS AND CO-OPERATIVES

#### **Terms of Reference (TOR):**

Analysis of the impact of adjustment reactions of the Co-operative Movement and necessary changes of co-operatives with regard to goals, strategies, structures and performance.

#### **Cases:**

In discussing the referred topic three cases were discussed and analysed: The cases were from Uganda (Mr. Msemakweli), Ghana (Mr. Kuragu) and Ethiopia (Mr. Haile Gebre).

#### **Deliberations:**

The group reached a consensus that the topic should be viewed with what Mr. Schwettmann presented earlier and that discussions should centre around the referred TOR, but also members were free to express their feelings and experiences which would bear on the topic. It was also agreed that the kind of structures which will emerge from structural adjustment programmes and actions will depend on the intended goals and market forces of the time hence it was not necessary to propose them.

#### **The structure of the report**

The report is a summary of the deliberations during the group plenary and the case studies presented on the topic. It is divided into following subsections: The impact of the adjustment programmes on the members, societies, unions/apexes, reactions from the same, goals and strategies proposed to enable the co-operatives to reach the objectives.

### **IMPACT OF STRUCTURAL ADJUSTMENT ON THE MEMBERS OF CO-OPERATIVES**

The group agreed that there were both positive and negative aspects as a result of SAP on the members. Positive impact identified include among others, that members are now paid cash on delivery of their crop. Unlike before the SAPs, members have greater choice to markets which means that they are no longer confined to only one market. There are possibilities of increased earnings from added value of their

produce when processed because again of the greater choice of market. It was also noted that members can now participate directly in the market and in doing so obtain a higher proportion of the price in the market channel.

On the other hand the group noted that there were also negative impacts of SAP on the members. These include: high input prices due to the removal of subsidies formerly provided by the government. Pressure on the budgets of the societies and even support institutions has had impact on member education budgets. Due to remoteness of some of the societies, the emerging competition has rendered some of the societies serving the areas unable to do so. In addition, member access to credit has been curtailed because of the fact that the societies business has chopped, the financial institutions have imposed credit ceilings: Consumer goods once obtained at a fair price and offered by co-operatives have now sky rocketed. Financial incapacitation has rendered the societies to fail to distribute inputs and as of now there are no other institutions which are providing the service.

#### **On the primary societies**

The group noted that there are now better services and potentials existing as long as competition is at play. Liberalised markets have also opened up greater opportunities for the societies. Indeed SAP has to some extent provided a better environment for co-operative development through renewed legal instruments which provide a chance for member-oriented co-operatives.

The negative impact on the societies include loss of market share which they controlled during the monopoly era. Loss of member loyalty due to high competition which lure members out of the co-operative and also due to poor services provided by the societies to the members. Possibility of loss of tax privileges provided by the government are eminent because co-operatives are now considered as private business. Lastly the group noted that SAP has weakened the movement because many societies have been dissolved due to inability to compete.

#### **On the co-operative unions/apexes**

It was also agreed that the same situation is applicable to the unions and apexes and that one of the advantages of SAP for co-operatives is that it has enabled them to earn forex and thus empowering them to access equipment and other production facilities for the same.

SAP has affected co-operatives negatively in their debt portfolio mainly because the market share has been split and seriously reduced. They have also been forced to retrench some of their staff and hence creating unemployment. SAP has also forced co-operatives to restructure their organisation which in turn has forced them to sell

some of their assets. Interestingly, donor support which used to pour in is now no more even when the co-operatives have reformed.

## **REACTIONS**

### **Members**

The group noted that the movement reacted accordingly though it was generally felt that it was unprepared. Members have however pressed for more attention due to the fact that there are other players in the market. At the same time they have become more enterprising, because of the open markets unlike before.

### **Co-operative societies**

On the other hand the societies reacted by restructuring their organisations, cost reduction through retrenchment, removal of unnecessary assets. In other words they are striving to become more enterprising and in doing so, forced to be more transparent. The group also noted that the societies have had to review and redefine their relationship with the state, related institutions and donors.

### **Co-operative union/apex**

The group also noted that at union or federation level, the reaction has been to capitalise and improving their lobbying capacities.

### **Co-operative movement goal**

The group reached consensus that the broad objective/goal of the movement is to attain member-oriented movements. A movement which is member-based, member-managed and member-controlled.

### **The strategies**

The group identified the following strategies as a means to achieve the stated objective/goal.

Re-structuring of the institutions so as to be able to meet the new challenge, integration of women in co-operatives and pressure to review legal aspects related to customs which suppress women participation, encouraging member participation, member education, being competitive, market-driven, increasing productivity through cost efficiency, diversification of services, collaboration with non-co-operative sectors, encouraging the development of savings and credit societies. Lastly, the movement should strive to improve internal control and audit of their activities. This

## **4.5.2 GROUP B: ADJUSTING CO-OPERATIVE STRUCTURES AND ACTIVITIES TO MEMBER NEEDS**

### **CASE STUDIES**

The **background case studies** considered were

- a) Housing co-operatives in Zimbabwe
- b) Agriculture co-operative marketing in Zambia
- c) Consequences of liberalisation on co-operative development and adjustment with particular reference to marketing traditional cash crops in Uganda

Analysis was made on the undermentioned:

### **IMPACT OF ADJUSTMENT**

#### **Positive Impact of Adjustment**

- Adjustment has stimulated intellectual and practical thinking and rethinking of the future trends in the co-operative development. For example international conferences, workshops etc.
- As a result of competition, some co-operatives had been stimulated to be creative, innovative and have hence devised survival and sustainability mechanisms.
- There is need for a review of legal and policy issues in order to accommodate the new environment.
- The co-operatives have been exposed directly to international markets. Previously in some countries the co-operatives were connected to international members through marketing boards which were non-responsive to their needs. Today these can be taken care of.
- The weak and non-performing co-operatives have been out-competed and hence phased out. These were portraying a bad image of the co-operative movement.

#### **Negative Impact of Adjustment**

- The existing co-operative structure has been distorted. In a fully liberalised economy the existing tier system can no longer operate. The primary societies, District Unions, National Union and Apex Organisations have found themselves in a situation where they have to play a role previously played by the other, hence necessitating review of the structure.

- In order for co-operative organisations to operate efficiently, they have had to review their operational expenses and fixed overhead costs and in the process some have been forced to dispose of non-performing assets, closure of non-self sustaining units, reduction on number of employees.
- Given the fact that there are many competitors in the market, co-operatives have withdrawn the subsidies and credit facilities that they used to provide to members since they are not sure of directly benefiting from these efforts. Consequently there is a possible decline in the agricultural production.
- No efforts have been made to increase on the quantity of the products to be competed for and since some of the competitors are new in the field, no special attention is paid to the quality of the products and this has contributed to the deterioration of the quality of the products and thus has had a negative effect on the world market price.
- Some co-operative unions had heavily invested in processing facilities, but given the adjustment policies, there is a risk of under-utilisation since their members are no longer obliged to process their produce at these premises.

### **REACTIONS OF CO-OPERATIVE ORGANISATIONS**

It was observed that most of the impacts were actually reactions. Nevertheless the following were also noted to be reactions

- re-assessment of members' needs to ensure that the co-operative's activities are geared to satisfy them;
- resistance to embrace structure adjustment;
- lack of reactions and actions.

### **Goals**

- to service members' needs
- affirmative action towards women participation at all levels

### **Structure**

- The co-operative structure has to be reviewed such that grassroots financial institutions are created and these structures should evolve. The tier system has also to be reviewed for efficiency.

### **Strategies**

- Groups should initiate formation of co-operatives so that they are internally based rather than imposed.
- There is need for a catalyst to stimulate dialogue necessary for formation of co-operative.
- Have improved communication systems between co-operatives and management.
- Instil democratic process in decision making (participatory decision making).
- Enhance co-operative ownership through awareness training.
- Deliberated and concerted efforts to increase the participation of women and the youth in the co-operative movement.

### **Performance**

Taking all the above said into consideration, co-operatives will have improved operational systems, improved financial discipline and consequently become efficient business organisations and their public image will be good.

## **4.5.3 GROUP D: ORGANISING SUSTAINABLE CO-OPERATIVE TRAINING, COUNSELLING AND AUDITING SERVICES**

### **Introduction**

Three case studies were presented on this topic by Mrs. Kunene and Messrs. Gwebu and Levin. The group discussed the impacts, reactions and strategies of co-operative organisations with regard to training, advisory and audit services.

### **Training activities**

For any training activities it is important to decide who provides the training and how relevant it is.

### **Impacts**

New training needs are required in the adjustment process to cope with the new environment which is more competitive than before. Co-operative organisations have to reckon with reduced funding from governments and donors alike.



### **Reactions**

Co-operatives have not yet reached a clear understanding of the changes. However, they have reacted to make training activities more needs oriented and ask now for comprehensive training needs assessments. The group agreed that more women should participate in training activities.

### **Changes**

Adjustment requires a new financial management on the side of co-operative organisations. Financial self-reliance is the new trend. The target groups or better the "contributors" change, too. Co-operative training institutions need networking to establish relations with other institutions. Marketing is necessary to sell new training "products". Finally a business orientation (entrepreneurial spirit) must be introduced to improve organisation and management of training institutions and to generate income from training activities.

### **Advisory services**

Advisory services could be established by governments (Registrar), by extension services, or by donors. The question remains, however, how sustainable such services are in the long run.

### **Impacts**

The adjustment process led to a reduction in extension staff and reduced donor funding. The group fears that many co-operatives might collapse because of this impact.

### **Reactions**

Co-operative organisations in many African countries are not a priority area for the provision of advisory services. In future, high quality, timely and relevant advisory services are necessary to prepare co-operatives to survive in the more competitive environment.

### **Changes**

Co-operative movements are forced and prepared to provide advisory services to their co-operatives, thus by-passing governments that previously provided these services. One can observe an increased demand for business advisory services (B.A.S.) which could be financed through loans. Training for consultancy skills is another area of change.

### **Audit services**

Audit services often were provided by governments free of charge. However, government auditors mostly lacked the necessary qualifications resulting in a poor audit quality. Audit concentrated mainly on financial matters only and did not provide necessary consultancy services.

### **Impacts**

Many co-operative organisations cannot afford to pay for audit services and, therefore, are not audited at all. Some societies, however, pay for audit services.

### **Reactions**

Some co-operatives have established their own internal audit committees. Governments now charge fees for providing audit services. Some laws might have to be changed to consider these changes.

### **Changes**

One function of continuous audit is to protect members. No free audits should further be provided. The Registrar should allow private audit companies to audit co-operatives. On the other hand, co-operative societies could organise their own audit services. "Surprise" and random audits should be carried out.

## **4.5.4 GROUP E: GENERATION OF AND ACCESS TO FINANCIAL RESOURCES**

### **PROBLEM STATEMENT**

The following problem statement was compiled after analysing a case study presented by Mr. Gardiner. The Co-op movement in the broader sense is experiencing a lack of access to finances. Finances are needed for lending, overheads and for equity. The lack of finances by retail financiers for onward lending is mainly a result of the perceived risk by the wholesale financiers which include commercial banks as well as government supported development banks. The perceived risk is a result of the following:

- Not sufficient collateral available by retailers
- Retailers focus on clients without stock record
- Commercial banks maximise profits and are not development institutions

- Capacity of co-op movement to manage business and finances is a matter of concern.

It was mentioned that although in urban centres enough financial resources are available, but yet the channels don't exist to channel the funds to the grassroots level.

## **INTRODUCTION**

It was accepted that although many problems are generic, country specific problems also exist. The working group differentiated between two types of organisations: firstly co-operatives that render financial services or function in the same countries as service co-operatives, and secondly, trading co-operatives that need working capital to expand trading. The working group remembered the "right question", as Prof. Münkner explained it: "How can I help myself through co-operatives?".

## **IMPACT OF ADJUSTMENT POLICIES**

- Deregulation of interest rates take place
- Withdrawal of commercial banks from rural areas
- Mushrooming of new co-ops as result of vacuum
- Changes in legal framework take place. Co-ops which render financial service also fall under banking law and not only co-op law
- Governments withdraw their financial support to co-op movement

## **Reactions of co-operative organisations**

- Move to establish many small co-operatives and other retail financiers.
- In Tanzania a trust fund was set up by using a percentage of the value of products delivered by financiers.

## **Changes of co-op goals to ensure improved access to finances**

The following two goals are the only relevant goals:

1. Co-ops should be member-driven and should optimise their support to members by either rendering direct service or facilitating access to the service
2. To meet financial responsibilities and requirements
  - adequately
  - timely
  - cost-effectively
  - on a sustainable basis

### **Changes of co-op strategies to ensure improved access to finances**

The working group believes that the following innovative concepts need to be put in place in order to ensure improved access:

- Co-operations between credit unions, co-op banks, commercial banks in order to reduce the overhead cost of the retailers and to ensure transfer of skills etc.
- Decentralising systems
- Explore the possibility of using traders as outlets of co-ops, banks etc.
- Risk-sharing by retailers, wholesalers and input suppliers. More risk bearers will ensure a more sustainable system. Government is not a good risk bearer.
- Optimise financial leverage by using concept of savings first and leverage this capital base with loans.
- Reconsider whether interest rates must be prescribed. Shouldn't it be left to the retailer and client to find an acceptable level? The retailer must cover the costs. If the customer is not satisfied, the retailer will lose him as a client.
- Maximum mobilisation of internal resources:
  - Consider non-refundable member deposits
  - Institute measures which provide incentives to members to pay back loans in time, for example where an interest rate discount is offered for payment in time
- Capacity Building

Capacity building of the following aspects will lower the risk for the wholesale financiers which will again improve the access to funds:

- Build capacity of co-ops to ensure optimum size of operations
- Build capacity towards a sustainable structure
- Build capacity to ensure a certain range of activities which lowers the risk
- Effective human resource management and capacity building

The question who can/should pay for the capacity building initiatives has not been solved. It was noted that retail institutions should pay themselves if possible. It is very unlikely whether the established commercial banking sector will carry the cost.

### **Changes of co-op structure**

- Structure must be built from grassroots level
- Number of tiers dependent on efficient support to members. As general rule, minimise number of tiers

- Total financial structure should be developed in the country. Any level of isolation won't produce

#### **Gender and co-ops from financial access point of view**

- The problem of the restricted role of women in the management of retail financiers was acknowledged.
- The problem of women's access to loans from retail banks was acknowledged
- Different cultural habits are recognised.

#### Possible solutions

- ⇒ The wholesale financiers should provide incentives and penalties for retailers.
- ⇒ The quota system was discussed. Various advantages and disadvantages were mentioned.

## **4.6 SUMMARY OF PLENARY DISCUSSIONS**

The restructuring process is necessary for the whole co-operative movement, and not only for individual co-operatives. The provision of better services to members does not mean to provide all services possible but to provide fewer and better services. There should be no competition but rather co-operation among co-operatives to follow one of the main co-operative principles to strengthen co-operation between co-operatives. In order to avoid competition a clear area of operation of each co-operative should be defined. Other participants, however, argued that there is nothing wrong with competition if some co-operatives offer better services than others. Therefore, no monopolistic tendencies should be allowed.

The integration of women was a major point of discussion. A comprehensive policy should be formulated to integrate women, e.g. by designing specific (training) programmes geared to the needs and interests of women. Cultural factors and the negative attitude of men are still seen as the biggest obstacles. Women participate actively in savings clubs and credit unions. Pure women co-operatives were not favoured, the policy should be to integrate women in existing co-operatives. The decision, however, should be left to the women themselves.

Mobilisation of internal resources is a major function of savings and credit institutions such as credit unions. It was argued that nobody is too poor to save as contributions can also be made in kind.

## **5. TOPIC III:**

# **CREATION OF FAVOURABLE FRAMEWORK CONDITIONS FOR CO-OPERATIVE DEVELOPMENT**

## **5.1 REPORT OF THE MINISTERIAL CONFERENCE, MAURITIUS**

*By*

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### **1. PREAMBLE**

The fifth ICA African Ministerial Co-operative Conference met in Mauritius, 20th - 24th May, 1996. The conference reviewed progress made towards the achievement of the objectives of the Regional Co-operative Development Decade since its declaration in 1984.

The Conference also set strategies for the period 1996 - 1999. These strategies have been worked out on the basis of the country papers presented and discussed at the Regional Development Co-ordinating Committee Meeting held in Lusaka, Zambia on 27th - 29th March, 1996 and the resulting progress report prepared by that committee. In addition, the Ministerial Statements delivered during the conference and the ensuing deliberations have been taken into consideration.

### **2. OVERALL POLITICAL, ECONOMIC AND SOCIAL FRAMEWORK**

In the decade under review almost invariably all countries in the region have gone through drastic economic crises. In response they have had to implement harsh externally initiated structural adjustment programmes. In the area of co-operative development the situation has been compounded with the reduction, and in some cases withdrawal of support hitherto provided by governments. At the same time, donors who previously provided significant support to co-operative development programmes have adopted a more selective approach which in many cases has had adverse effects on the impact of co-operative development efforts.

Central to structural adjustment programmes has been the policy of liberalisation which for co-operatives has meant a loss of monopolies and privileges they used to get. This, moreover, meant a drastic change in the business environment for which co-operatives were ill prepared. The situation depicted in the foregoing statement does not apply equally to all the countries of the region. Indeed, in some countries the severity of the impact of these changes on co-operatives has been minimal.

Political changes which took place especially in the later part of the decade have also affected co-operatives directly or indirectly. This has been particularly the case where co-operatives were previously linked to political structures. This de-linking means that co-operatives have to exist as pure business organisations.

A major positive development of regional importance was the end of apartheid in South Africa and the coming to power of a democratically elected majority government. This provides an opportunity for co-operatives in that country to interact and join forces with the rest of the regional and international co-operative community.

The economic, social and political reforms that have been carried out provide a long term opportunity for co-operatives to become autonomous and truly member driven. The elimination of state and other monopolies also gives co-operatives the opportunity to enter business areas which were previously inaccessible.

Co-operatives should recognise and accept that adjustment is a continuous process and part of the internal organisational culture. Co-operative organisations should initiate actions designed to bring about effective changes in line with the new environment.

### **3. RECOMMENDED STRATEGIES**

#### **3.1 Structure and Organisation of the Co-operative Movement**

On the whole co-operative movements in the region are structured in tiers ranging from two to four, depending on the country. These structures have their basis in the old set up. Recent developments have called into question the sustainability of some of these structures.

It is recommended that: each movement should critically re-examine its structure and where necessary devise more suitable alternatives in view of the new environment. In this process the co-operative member as an active participant and ultimate beneficiary should be put into sharp focus.

#### **3.2 Co-operative Policy and Legislation**

During the decade rapid expansion of the co-operative movements and other reforms left most co-operative policies, laws, rules and by-laws inadequate. A

significant development was that most governments started and continued participative and consultative processes to reformulate co-operative policies and legislation.

It is recommended that: Countries which have not yet reviewed their policies and legislation should do so. There should also be a continuous monitoring of existing policies and legislation to ensure their relevance.

The process of review and formulation should include active participation of co-operative members.

### **3.3 Role of Government and Relations with the Movement**

The importance of independent and self-reliant co-operative movements cannot be over-emphasised. At the same time it is recognised that some government involvement is still required to achieve the mutual objective of human development.

It is recommended that: Governments should continue to recognise co-operatives as having a significant role in social and economic development. They should, therefore create the necessary environment for sustained advancement of the co-operative movement. Co-operatives on their part, while maintaining constructive dialogue with governments, should continuously endeavour to enhance their own sustainability.

### **3.4 Role of Donors and Other Development Partners**

Donors and other development partners have played a significant role in co-operative development in the region. Most of the development support has been towards capital investment and human resource development. The channel of the support has shifted from being solely through governments to include movement-to-movement arrangements as well.

It is recommended that: All efforts should be made by governments to sensitise donors more than ever before. The need for their support is crucial and the potential to achieve the desired impact is high. The assistance should be beneficiary, sensitive and politically neutral.

### **3.5 Co-ordination**

Most countries continue to experience difficulty in co-ordinating co-operative development activities. Collaboration and co-ordination amongst the key players in co-operative development, in particular governments, co-operative organisations, donor agencies and other co-operative development agencies still remains inadequate and needs to be reassessed in order to achieve maximum efficiency in the delivery of support services.



It is recommended that: Apex organisations should be responsible for initiating and implementing a mechanism for co-ordinating all efforts of principal actors involved in co-operative movement.

### **3.6 Co-operative Finance**

There has been a significant growth in the co-operative finance sector, that is, co-operative banking, savings and credit and insurance.

However, towards the end of the decade, the sector experienced some upheavals which can be attributed to the liberalisation and the introduction of stringent statutory regulations.

It is recommended that: Each movement should appraise the existing grassroots financial intermediation in order to establish a sound base for co-operatives. Methods and ideas should be developed to increase financial participation of the members in their organisations. This can be improved by linking grassroots financial institutions and production. Among the strategies in this context will be vigorous mobilisation of local savings. In each country there should be a mechanism for the co-ordination and harmonisation of the co-operative financial sector.

### **3.7 Human Resource Development**

HRD is an essential input and prerequisite for co-operative development and self-reliance. Although there has been a general acceptance in the region of the need and value of HRD to co-operative movements, this has yet to be translated into effective programmes.

For the major part of the decade, most co-operative HRD has continued to be the responsibility of governments in the co-operative training institutions.

As the process of co-operative autonomy continues to take hold, the need for the co-operative movements to assume increased responsibility for the HRD institutions has become more urgent. This, however, should not diminish the importance of government support to these institutions. In the recent past there has been a need for the institutions to reassess their relevance *via-a-vis* the emerging needs of the co-operative movements and to revise their curricula to accommodate these needs. Also noticeable have been the efforts to devise and adapt modern methods and techniques for the delivery of the programmes. In these efforts the collaborative efforts of the ICA and the ILO and other development agencies have been an added catalyst.

It is recommended that: The movement should identify HRD institutional capacities and resources available in the region in order to collaborate more effectively in their utilisation.

The efforts already initiated to reassess HRD needs should be accelerated with increased vigour and circumspection. Design of systems, methods and techniques for efficient delivery of programmes directly responding to identified needs must be effected as a matter of urgency.

### **3.8 Gender and Co-operative Development**

Gender issues, in particular the involvement of women in co-operatives, have been a matter of increased concern in the movements of the region. Almost without exception, every country of the region has launched a gender sensitisation programme as well as making deliberate efforts to enhance the participation of women in co-operatives.

The work thus initiated will continue to require encouragement and support from all sectors. However, gender still remains a complex area which needs concerted intervention at all levels of the society both at macro and micro levels.

It is recommended that: Co-operative organisations and all other agencies involved in co-operative development should take deliberate and specific actions to address gender issues, in particular by encouraging increased women participation in co-operatives as active members and leaders. At the same time, sensitisation programmes on gender issues should be enhanced.

Initiatives already taken by HRD institutions to integrate gender issues in their curricula must be encouraged and supported at all levels. All planning and reporting in future should be gender disaggregated.

### **3.9 Youth and Co-operative Development**

The impact of adjustment programmes and demography as well as institutional imperfections have reduced opportunities for gainful employment for the youth in almost all countries of the region. Accepting that co-operatives have responsibility towards the community in which they exist, and bearing in mind that young people constitute the reservoir from which future co-operative membership will be drawn, it becomes imperative that they play an active role in shaping the future of this resource.

Evidence shows that initiatives have been taken in the area of legislation to address the youth question. What is more, there has been increased interest in the introduction of co-operation in the formal school curricula, as well as promoting

special skills such as those required in the informal sector where young people are much involved. Lack of economic means among the youth has also been another serious constraint.

It is recommended that: The Regional Office should prepare guidelines in the involvement of youth in co-operatives to be used by member countries. Ministers for Co-operative Development and other policy makers should liaise with their respective Ministries of Education to pave the way for the introduction of co-operation in the school curricula.

The ICA Regional Office in collaboration with its member organisations and the HRD institutions should develop and disseminate prototype co-operative primers to be adapted and, where necessary, translated for use in the teaching of co-operation in the school systems in each country.

The Regional Office should also collect case studies on successful examples of youth participation in co-operatives and disseminate them to member organisations.

Ministries responsible for co-operative development as well as the co-operative organisations and other co-operative development agencies should support programmes designed to support the informal sector: this with a view to creating gainful employment for young people.

Revision of co-operative legislation should take into full account the need for facilitating recognition and providing a legal framework for the functioning of youth activities in the informal sector.

### **3.10 Role and Nature of Trade in Co-operative Development**

The leadership of the co-operative movement acknowledges the critical importance of trade in co-operative advancement. To this end a number of trade facilitation units and other initiatives have been attempted. However, there remain serious constraints; among them, lack of management capacity, failure to add value and inability to penetrate traditional trade patterns.

It is recommended that: Apex organisations in the member countries should establish data bases to disseminate information about what they can trade with other movements and private organisations. The ICA Regional Office should co-ordinate the inter-co-operative trade data base.

### **3.11 Co-operatives and the Natural Environment**

During the decade the protection of the environment was placed high on the agenda of the co-operative movements in the region. In collaboration with the governments and other agencies some environment-friendly practices have been put into effect.

These initiatives combined with efforts to inform, educate and sensitise co-operative members hold good promise for the future.

Unfortunately, poverty and the pressures of immediate survival have often forced farmers to over-exploit their land, forests and lakes.

Similarly, African governments financially constrained by a heavy debt burden, poor export earnings and the austerity of structural adjustment found it difficult to effectively undertake major environmental management development. Co-operatives also find that they do not have the resources to pursue ecological concerns effectively.

It is recommended that: Co-operatives and their members should be sensitised on environmental issues; such activities as soil conservation, choice of farm inputs and application of environment-friendly farming methods should be adapted. Equally important: co-operative HRD institutions should incorporate environmental topics in their curricula.

## **5.2 THE IMPACT OF THE STRUCTURAL ADJUSTMENT PROGRAMME ON CO-OPERATIVES: GHANA'S EXPERIENCE**

*By*

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### **INTRODUCTION**

The Government of Ghana has been pursuing far-reaching economic and political transformation with profound impact on co-operative organisations. Of particular significance for the co-operatives are the effects of market liberalisation, particularly in the agricultural sector, which is an important element in the Structural Adjustment Programme. Co-operatives, which hitherto enjoyed monopoly positions have been exposed to competition. Combined with economic reforms which reduce the role of the State, the process of political transformation, characterised by pluralism and democratisation, open the possibility of the Co-operative Movement being considered as an entity quite separate from the State.

The main objective of this paper is to show the effect of Structural Adjustment on the Co-operatives in Ghana. In this regard I shall discuss the economic development strategies pursued since the colonial era, find out the causes of economic decline which led to the Economic Recovery Programme and Structural Adjustment. The effect of economic recovery and adjustment on co-operatives will then be discussed.

### **ECONOMIC STRATEGIES**

The colonial government adopted a policy of encouraging her colonies to produce primary commodities to feed her industries and in turn used the colonial territories as her extended market for manufactured goods. They established a local civil administration to implement this economic policy and developed infrastructure only to move these products to the ports. The colonial power therefore did not put in place any entrepreneurial development policy that would create an "industrial reserve army" of local entrepreneurs who would readily replace the European mercantile community after the achievement of independence. During the colonial period, the nearest to the development of an entrepreneurial base was the development of co-operatives as a means of stabilising local agriculture. During this period, co-operatives were mainly produce marketing societies dealing in cocoa. Indeed, the

colonial government declared the then Gold Coast Co-operative Federation the best-organised indigenous business in the country.

After independence, Ghana embarked on industrialisation by opting for a centrally planned economic system using the state as the vanguard for development. In the 1960s, therefore, the state and co-operatives were the dominant sectors and little thought was given to private sector development.

In the 1970s the policies of "Operation Feed Yourself" and "Operation Feed Your Industries" were adopted. These two policies aimed at self-reliance in food production and the production of industrial raw materials and rapid economic development. The State was still the dominant economic force. During the latter part of 1970s and early 1980s, however, the economy started to experience decline owing to balance of payments problems and a worsening terms of trade. A large number of consumers and makers co-operatives were therefore formed during the late 1970s to handle the scarce commodities in the system.

During this time, the population grew between 2.6% and 3.1%. There were structural imbalances which included an overbloated exchange rate (\$1 = ₵2.75 in 1983), and large government budget deficits, high inflation rate which reached 122.8% in 1983 as compared to an average of 6.3% per annum in the 1960s. The country's foreign exchange reserves could only meet three months' import bill. Almost all industries were producing at less than one-third of their installed capacities. These imbalances led to wide ranging price controls, the use of special licences to import and the use of co-operatives for distribution of goods. The declining agricultural output as a result of poor weather and bushfires coupled with the brain-drain to the neighbouring countries compounded the declining economic situation. The net outcome was a decline in all sectors of the economy. The Gross Domestic Product declined by 11% between 1972 and 1982.

### **STRUCTURAL ADJUSTMENT PROGRAMME**

It was against this background that in 1983, the new Provisional National Defence Council (PNDC) government, determined to halt the declining economic situation, and with financial help from the International Monetary Fund (IMF), the World Bank and other donors, opted for an Economic Recovery Programme accompanied by structural adjustment. The programme, among other things, sought to stimulate economic growth, reform prices and restore production incentives, arrest galloping inflation, realign interest rates, reduce the huge budget deficit and adopt a flexible exchange rate regime. It also aimed at restructuring the financial sector, the public administration system and introducing a demand-driven market economy.

Appropriate policy measures were therefore taken by the government to implement the programme.

In order to stimulate economic growth, the production capacity in the traditional export sector - cocoa, timber, gold and diamonds - had to be rehabilitated through the infusion of capital and new equipment. The agricultural sector, the single largest contributor to GDP, had to be revamped and modernised. At the same time, alternative sources of foreign exchange had to be developed in the non-traditional export sector - ginger, cassava chips, pepper, pineapples, cashew nut and other horticultural crops.

Interest rates were aligned to make savings more attractive. At the same time, lending rates shot up and made life difficult for local industries, which were starved of working capital. The banks preferred to invest their funds in government securities which were a safer form of investment than to lend to the private sector.

As part of monetary policy reforms, there was a massive devaluation of the cedi, the local currency. The exchange rate, pegged at ₵2.75 to the US dollar in 1982 had reached ₵1,640 to the US dollar in 1996. A flexible exchange rate regime was adopted. The financial sector was also reformed and the liquidity problem facing the state-owned banks as a result of huge unrecovered loans granted to individuals and companies was solved by transferring these debts to the Non-Performing Assets Recovery Trust and then the Bank of Ghana recapitalising these banks. The increasing budgetary deficits were to be reduced through cutting down expenditure and increasing revenue. A trade liberalisation policy was also pursued which opened the floodgates for the inflow of goods, to the disadvantage of local industries. At the same time, a privatisation programme was pursued to divest the state of direct participation in economic activity. Many state-owned enterprises were either divested through joint venture arrangements or outright sale. The state also withdrew from the distribution of agricultural inputs and credit.

In order to implement these economic policies, the public administration system needed to be reformed. As a result, the Civil Service Reform Programme was initiated. The over-centralised bureaucracy was to be decentralised so that District Assemblies would take up the initiation of development projects and the centre will be responsible for policy formulation, monitoring and evaluation of the efficiency of the performance of the various sectors. The new Local Government Act (Act 462) of 1993 has been promulgated to facilitate decentralisation. The size of the over-bloated civil service was to be reduced through a Redeployment Programme. The policy of deregulation prompted the review of the existing co-operative law to make the co-operatives more business-oriented less of social institutions and more responsive to the demands of a liberalised economy.

Before 1983, the Co-operative Movement was predominantly of the consumers and bakers types with the productive agricultural co-operatives virtually non-existent. A low capital base, over-paternalisation of co-operatives, leading to the provision of virtually free services such as audit, registration and inspection, and the granting of a virtual monopoly in the distribution of scarce commodities and the distillation of local gin gave an unfair view of the state of affairs of co-operatives. The fortunes of the co-operative sector having been mostly government-initiated, were tied to the performance of the economy and, thus, they were badly affected by the general-socio-economic environment prior to 1983.

### **HUMAN RESOURCES DEVELOPMENT**

The Development of the human resource base of the country is an important priority and was aimed at reducing population and poverty, increasing average incomes and reducing disparities in incomes and opportunities. Accordingly, far-reaching educational reforms have been embarked upon in order to restructure all levels of education from primary to the tertiary level and make the content of education at each level relevant to the country's manpower needs. Non-formal education, providing adult literacy, was also pursued vigorously.

However, human resource development within the co-operative sector has slackened considerably, having been affected by the general economic decline and cuts in government expenditure. The Ghana Co-operative College, which is the co-operative movement's training institution, is facing problems being heavily dependent on government subvention. The College is still very poorly accommodated and it needs to put up its own permanent building to enhance its competitiveness in the training business. Despite all these handicaps, however, the College has been able to train 5,266 co-operators made up of 894 Department of Co-operatives staff, 3,606 Co-operative Societies' Secretaries and 766 other private individuals.

### **IMPACT OF STRUCTURAL ADJUSTMENT ON CO-OPERATIVES**

#### **a) Positive Impact**

Structural Adjustment has had a positive impact on co-operative development. It has helped to adopt a more effective approach to the development of agricultural co-operatives. Hitherto, Non-Governmental Organisations ((NGOs) as well as the Ministry of Food and Agriculture, were forming and protecting their separate groups and giving them inputs and credit. The banks also formed their own groups for credit delivery. There was no co-ordination and collaboration in their work. However, since 1987, the Department of Co-operatives and Technoserve, a USA-based NGO operating in the country, as well as the Ministry of Food and Agriculture and the



Agricultural Development Bank have been collaborating in the implementation of agricultural programmes. There has been collaboration in such areas as the Intermediate Technology Small-Scale Palm Oil Mills project, which aims to establish 60 co-operatives palm oil mills in oil palm growing areas, the Irrigation Co-operative Societies, the Small-holder Rehabilitation Project funded by the European Union, and the development of co-operatives growing non-traditional export crops under the Trade Investment Programme.

This need for collaboration in the promotion of agriculture came from the realisation that each of these institutions was not successful in increasing agricultural output through the promotion of its separate groups. It has been realised that support for agriculture needs to be a total service package to be successful as demonstrated by the success stories of project-oriented agricultural co-operatives.

The promotion of non-traditional exports, has attracted the co-operatives to the export trade. The value of non-traditional exports increased from \$1.9 million in 1984 to \$119.34 million in 1994. However, co-operatives' share in this was negligible. Co-operatives are only now beginning to enter this field.

In 1995, the Ghana Co-operative Distillers Association made a trial export of 10 cartons of local gin to Belgium in an attempt to take advantage of the non-traditional export drive. A project aimed at helping Pineapple Growers Co-operatives in the Samsam area in the Greater Accra Region to improve upon their production and to enable them export directly without having to sell their produce to private exporters is in the pipeline. There is also a project in the Brong Ahafo Region to develop co-operatives of cashew cultivators. Co-operatives have, however, not yet been able to take full advantage of the opportunities offered by the withdrawal of government agencies from the distribution of agricultural inputs because of their weak financial position as well as weak internal structure.

The retrenchment of staff within the public sector has been advantageous to co-operative development in a way. Most of re-deployees who have been trained in various technical and vocational skills, have formed co-operatives to remain in employment. The private sector especially the informal sector is expected to create more employment opportunities. The co-operative sector being part of the private sector is expected to play a significant role in creating formal employment and self-employment.

The structural adjustment has brought efficiency and effectiveness within the co-operative sector. For instance out of the 15 National Associations and Central Societies affiliated to the Ghana Co-operatives Council in 1981, seven have remained active and operational. They have achieved positive results in their

turnovers, net profits and assets as figures for 1992 and 1995 indicate for 3 of the National Co-operative Associations.

	1992 [in ₵]		
	turnover	net profits	assets
Ghana Co-op. Pharmaceutical	29,549,808	17,501,838	141,287,126
Pioneer Co-op. Coldstore Complex	82,424,953	24,010,516	289,147,217
Ghana Co-op. Credit Union Association	195,099,034	38,391,359	310,294,926

	1995 [in ₵]		
	turnover	net profits	assets
Ghana Co-op. Pharmaceutical	1,134,477,628	50,514,744	523,240,372
Pioneer Co-op. Coldstore Complex	141,215,520	29,585,918	245,169,534
Ghana Co-op. Credit Union Association	271,971,824	14,774,495	727,330,810

NB: US \$1 = ₵1,640

Despite deregulation, some co-operatives still enjoy monopoly and protection which is advantageous in the short run but whether this can be sustained is another question. For instance, the Ghana Co-operative Distillers Societies are still enjoying their monopoly in the area of distillation of local gin in accordance with Legislative Instrument 239 of 1962. Under this law, no one can distil local gin, unless one is a co-operative member. In cases such as this, the granting of a monopoly is beneficial in ensuring that only wholesome products get into the market.

The trade liberalisation policy has made it possible to re-introduce the multiple buying system in the internal marketing of cocoa. As a result, the Ghana Co-operative Marketing Association (GCMA), after a long absence, re-entered the cocoa purchasing business in 1993. GCMA was the pivot around which the other types of co-operatives developed in the colonial era and in the 1970s. Its revitalisation is therefore a boost to co-operative development. Its operations have, however, been affected by high interest rates on bank loans.

SAP has also created an enabling environment for inflows of external technical and financial support from multi-lateral agencies such as the World Bank, and the International Co-operative Alliance to support co-operative development. The Ghana Co-operative Credit Unions Association (CUA) for example, which became weak during the first half of the 1980s, has been totally rejuvenated as a result of "Movement-to-Movement" financial and technical assistance received from Canadian

Co-operative Association, Rabobank of Holland, World Council of Credit Unions (WOCCU) and African Confederation of Co-operative Savings and Credit Associations (ACCOSCA). CUA is among the 8 selected African Countries which are participating in the implementation of African Revitalisation Programme sponsored by ACCOSCA and WOCCU. The objective of the programme is to establish model credit unions in the selected 8 countries which will follow a more market-oriented business approach to their operations so as to improve upon their performance and service delivery capacity. They will serve as models for other credit unions to emulate.

To enhance their competitiveness against the non-banking financial institutions and the orthodox banks, the co-operative credit unions have moved away from the payment of fixed interest of 12% per annum on members' savings and are now paying up to 25% per annum. This measure, among others taken, has helped to increase the total savings mobilised by the credit unions. In 1993, for example, credit unions mobilised ₵2.2 billion, but in 1995, this increased to ₵6.4 billion, an increase of over 100%.

The changes created by SAP has brought about the urgency to have a co-operative development policy to guide the promotion of co-operative in a free market-environment. With the assistance of ILO a co-operative development policy is going to be formulated.

#### **b) Negative Impact**

Structural Adjustment has also had its negative aspects on co-operatives. The trade liberalisation policy, together with the relaxation of foreign exchange controls, has led to the flooding of the Ghanaian market with imported consumer goods and other products and this has affected co-operatives. For instance, in the Greater Accra Region, all the 49 registered Bakers Co-operative Societies have collapsed because flour and bakery inputs are now readily available on the open market. Also all the 2,788 Consumer Co-operatives registered between 1976 and 1985 all over Ghana have collapsed except for a few workplace societies and the National Association. It has therefore led to the collapse of many co-operatives.

The cuts in government expenditure have greatly affected the performance of the Department of Co-operatives, the Ghana Co-operative College and the Ghana Co-operatives Council, both of which heavily rely on government subvention.

In Ghana, the agriculturally related co-operative societies by 1994 constituted the largest component of the co-operative sector, accounting for 46% of all societies registered. Since the Agricultural Co-operatives also depend on imported inputs such as fertilisers, fishing gear and other agro-chemicals they have to grapple with

increased cost, resulting from the devaluation and the removal of subsidies. The small scale farmers who form the bulk of the co-operatives cannot easily afford to buy adequate quantities of their input needs. The contribution of agricultural co-operatives to GDP, 39.1% of which is derived from agriculture, has been negligible because many of them went into extinction since they were unable to meet the cost of credit to purchase needed inputs.

The Co-operative Movement has been badly affected by the high lending rates. Unlike informal sector operators, which benefit from a scheme managed by the National Board for Small Scale Industries, and the private sector which benefits from the Business Assistance Fund, at interest rates of 20% and 15% respectively, co-operatives are entirely at the mercy of the commercial banks. At any rate, these banks are usually unwilling to lend to co-operatives. As a result, the co-operative movement is also calling for the institution of a Co-operative Development Fund similar to the ones mentioned earlier and to which the co-operatives, the government and external donors will contribute. This is especially relevant considering that with the take-over of the Ghana Co-operative Bank as a result of financial restructuring, the co-operative movement is without a financial arm of its own.

## **CONCLUSION**

A number of factors affect the capacity and capability of co-operative organisations to adequately adjust in response to the changes in their external environment. The scope and scale of changes that are required is one such factor. Given the seriousness of the problems that many co-operatives face, it appears that the capacity to change is not sufficient. The failure to see what needs to be done and to take the right steps also reflects limited entrepreneurial capability. There has been a low level of preparedness and slow and inadequate responses on the part of co-operatives to structural adjustment. Moreover, while the market will put pressure on co-operative organisations to change, pressure also needs to come from within the movement. This requires a dedicated leadership and committed membership prepared to stand by the co-operative no matter what happened. However, given the state of the co-operatives, it is more likely that disillusioned and uncommitted ordinary members are more likely to turn their backs on the co-operative than to struggle for change. This has been demonstrated in the cases of the consumers and bakers co-operatives.

SAP has shown how government support and protection have made co-operatives susceptible and vulnerable in a free market economy. It has also shown that it is important for co-operatives to change their structures and strategies to conform to the changing socio-economic environment if they are to survive in today's liberalised environment. Many co-operatives have not been able to survive SAP but those

surviving societies have also demonstrated that co-operatives can operate and compete successfully in an adjusting economy.

SAP success has been achieved with determination on the part of the government backed by massive external financial support and sacrifices by the citizens. It has given the economy a sound base to lead Ghana to sustained economic growth as envisaged in "Ghana Vision 2020". This is a document for the medium and long term development programme which aims at achieving for Ghana a middle-income country status by the year 2020 through an average annual growth rate of 8%.

## **5.3 A NEW APPROACH TO CO-OPERATIVE DEVELOPMENT CO-OPERATION**

*By*

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### **INTRODUCTION**

When the rules radically change as a result of economic liberalisation programmes and expanded political freedom, co-operatives in the Third World are compelled to pass through a process of profound change if they are to survive and develop. These changes not only mean problems and threats but also present new opportunities to be captured. In fact, it is not until presently that the preconditions for a successful development of co-operative organisations begin to take shape.

Utan Grånser/Swedish Co-operative Centre will in this article give its views and reflections of Co-operative Development Co-operation during the past two decades. We will also make an attempt to assess the present position of the co-operative movements in the third world and venture into saying something about what lies ahead.

Our discussion and conclusions are focused mainly on agricultural co-operatives and deliberately "Africa-centred", for the obvious reason that Africa is the continent where the crisis is most serious and naturally, therefore, where the development needs are the biggest.

In a coming article we will discuss the strategy Utan Grånser/Swedish Co-operative Centre will adopt in order to best contribute to a sustainable co-operative development in the Third World.

### **A HISTORICAL REVIEW**

#### **From Support Through Governments to Direct Support to the Co-operatives**

The potential of co-operatives was early recognised by the newly independent states in Africa and Asia and therefore made a key element in the development strategies in many of these countries. In the 1960s and the 1970s the dominating view in developing countries and among donors was that the state had to play the leading role as initiator and driving force in the process of development and modernisation.

The creation and development of co-operative organisations and co-operative structures became an important element in the development efforts of the governments of the newly independent states. These co-operatives were often protected by monopoly positions and by subsidies and other government support measures. As a matter of fact, governments regarded the co-operatives as an instrument and a channel to reach impoverished rural populations rather than as member-controlled business enterprises. The prime objective for the support of co-operative organisations provided by governments in the newly independent states was to make services and goods available to their populations which had previously been denied to them. External assistance was aimed at facilitating the efforts by governments.

In co-operation with government co-operative authorities, and often in collaboration with the other Nordic countries, Sweden implemented substantial programmes in support of government-led and government-controlled co-operative development still during the 1980s. The assistance consisted of support to member education, training of office bearers, business management training, development and introduction of accounting systems and savings and credit schemes as well as general staff training. The purpose of this support was to develop co-operative societies and other co-operative organisations, often formed in a rush, into well functioning co-operatives.

At the end of the 1970s, and even more so in the early 1980s, UG/SCC increasingly argued that co-operative activities hardly could become strong and sustainable as long as they remained part of or an extension of government efforts to promote development. Based on the basic principle that the co-operative organisations themselves are best placed to manage co-operative development assistance, the movement-to-movement concept emerged. This concept was also recognised by the Swedish development assistance authorities. As a consequence, the Swedish government support to co-operative development previously channelled from government to government, was channelled through UG/SCC to the co-operative partners in the recipient countries.

Many developing countries have introduced democratisation reform programmes and implemented profound economic reform programmes. These reforms, which involve a dismantling of monopolies and the transition into liberalised market economies, have been made at a high pace with limited time for adjustment. The direction of change is clear and in all likelihood irreversible. Centrally planned economies are transformed into market economies and in mixed economies market elements are expanded and reinforced.

These changes place extraordinary demands on the ability of co-operative organisations to adjust to a radically different situation in a short period of time. From a situation where protection by monopoly positions and subsidies were provided by

governments, co-operative organisations now face demands on business efficiency to survive on a competitive market.

The essence of co-operative activities is member benefits and member welfare. Co-operatives as an idea and as a practical tool has brought together millions and millions of men and women world-wide. The need for co-operative activities has been particularly strong in periods of the evolution of market economies when the position of consumers and small producers was weak.

In these circumstances the co-operative movements have played an important role to enhance the welfare of ordinary people and to promote the formation of popularly based and important democratic institutions. At the same time co-operatives have forcefully stimulated competition and efficiency in wide areas of national economies. In this way the co-operatives have directly contributed to efficient use of resources and to economic growth.

### **CO-OPERATIVES IN EMERGING MARKET ECONOMIES**

In the market economies in Western Europe and North America co-operatives developed from a felt need by members, from below, and were exposed to competition with marginal government control. In Third World countries co-operatives were generally imposed, from above, by the governments supporting and subsidising them.

When the rules now radically change as a result of economic liberalisation programmes and expanded political freedom, the co-operatives in the Third World are compelled to pass through a process of profound change if they are to survive and develop.

The evolution of pluralistic and more democratic societies gives an expanded role to the civic society. This provides opportunities for the co-operatives to attain a more autonomous relationship to the state. At the same time it places heavy demands on the co-operatives to stand on their own feet.

Co-operative organisations, which are based on business activities under democratic forms, can make a general contribution to the democratisation process which has been initiated in many countries in the Third World. Co-operators accustomed to work under democratic forms can promote democratic ideals by providing an example inside as well as outside co-operative organisations.

With respect to the economic reform programmes, the liberalisation of the agricultural sector opens the possibility for rapid and widespread entry of new market actors. This is also what happens in sub-sectors where the profitability is high. The new actors tend to limit their activities to more profitable commodities in easily



accessible areas with good transport infrastructure and proximity to consumer markets. Other areas and products are ignored.

The liberalisation of financial markets has resulted in higher capital costs (higher interest rates) and increased competition for available capital. At the same time large scale government borrowing to serve large foreign debts has reduced the credit volume.

In order to defend a place on highly competitive markets, co-operative businesses have to be at least as efficient as their competitors. To be of real benefit to their members, co-operative businesses preferably should be even more efficient.

As a result of a dominant government influence on the co-operatives, which did not promote market oriented business activities, co-operatives are generally not well prepared to respond to changes. In order to survive and develop, co-operative organisations have to increase their efficiency and improve their operations in several respects. The capital base must be strengthened through improvements of the capital structure, increased member capital contributions and through reduced debt burdens. A generally high level of costs has to be reduced in order to improve profitability. This can be achieved among other things through increased capacity utilisation of fixed production assets. Furthermore, the demand for entrepreneurial skills among board members and managers is higher than previously. At the same time the membership should be broadened in order to make the co-operatives an alternative in which both men and women, active in different sectors, can participate. The active involvement of the members in their co-operative enterprises has to be increased which raises major demands for training activities. Demands are also raised on a stronger perception of a crisis situation and an increased capacity to undertake necessary changes.

However, the situation is not uniform. In varying degree different co-operative organisations are characterised by the problems discussed here. There are also well run and efficient co-operative organisations which can face their competitors with confidence. Whereas agricultural co-operatives generally face serious problems, the situation of e.g. credit unions is less problematic. The situation also differs between regions.

## **THE FUTURE**

### **Will Co-operatives Survive ?**

In a majority of the countries in the Third World the preconditions for a realisation of the co-operative ideas have changed notably in a positive direction. The transformation to market economies often results in the emergence of exploitative and inefficient capitalism. The situation reminds of the situation in Sweden at the beginning

of this century. The introduction of market economy systems and democracy offers the co-operative movements a possibility to regain their original economic function and to serve as a necessary element in the democratisation process in a society. It is not until presently that the preconditions for the successful development of a co-operative movement begin to take shape. The great challenge for the co-operative movements in the Third World is to capture these opportunities.

The basic idea of the co-operatives is to generate economic benefits under democratic forms. Co-operatives can provide democratic training to their members. In this way the co-operatives can be an important countervailing power to various forms of concentration of power and totalitarian tendencies.

It is envisaged that while some existing co-operatives will not be able to adjust in order to survive in a competitive market economy, new co-operatives and new informal groups will emerge. If small scale farmers are to play a role in a market economy, they have to co-operate in one way or another. Traditional small scale farmers are in a vulnerable position when confronted with the effects of the structural adjustments programmes. Genuine member-driven co-operatives could play an important positive role in this respect by providing a safety net for otherwise marginalised traditional small scale farmers.

In some countries groups of farmers have avoided the co-operative mode of organising themselves and instead opted for other solutions in order to avoid government control and political interference. In a liberalised situation the co-operative mode of organisation will become a neutral alternative way of organising economic collaboration between individuals with similar needs. In this new situation the co-operative concept will, most likely, gradually rid itself of the stigma that the past decades of governmental and political interference has caused.

UG/SCC is convinced that agricultural business co-operatives will play a useful role in a liberalised economy in the fields of agricultural input supplies, production credit, marketing, processing of agricultural produce and as a provider of various types of services required by the small scale farmers, and, UG/SCC believes, large scale farmers alike. New member-initiated co-operatives will most likely emerge and progressively grow strong. Such new co-operatives may develop out of informal farmers groups. Large scale farmers may team up with small scale farmers, as has been the case in countries where co-operatives have started from the grassroots, the rationale being to achieve the advantage of economies of scale benefiting all members.

In a coming article Utan Grånser/Swedish Co-operative Centre will discuss the strategies UG/SCC will adopt in order best to contribute sustainable co-operative development in the Third World.

## **5.4 SUMMARY OF PLENARY DISCUSSIONS**

The recommendations of the ICA Ministerial Conference in Mauritius are followed up by the ICA Annual Regional Council. Although governments are expected to intervene less in co-operative affairs and also to provide less support, it is still felt that governments have an important role to play to create an enabling and favourable environment for co-operatives. ICA can, for example, represent and defend the interests of co-operatives in a permanent dialogue with governments.

The adjustment programme in Ghana led to a major reduction of co-operative staff in the government structure at all levels. The trend calls for more decentralisation of tasks and activities, starting at the lowest level possible. Co-operative organisations are represented at the national level by the Registrar. Thus, the Registrar can counter the risk of marginalising co-operative organisations at the local administrative level. The movement played a major role in revising the co-operative legislation.

The Swedish Co-operative Centre has reviewed its past assistance policy and developed a new approach based on "sustainable agriculture". In the past emphasis was laid upon technical matters, e.g. accounting, today no ultimate knowledge is provided but rather a joint reflection on co-operative issues together with the partner. Their role today is to be a facilitator rather than a decision-maker.

## **5.5 INTRODUCTION TO WORKING GROUPS**

The same working groups formed earlier discussed the necessity to create favourable framework conditions for co-operative development with regard to necessary changes of political, administrative and legal conditions.

Participants exchanged their own experiences and examined how governments are reshaping the framework conditions to make them favourable to co-operative development.

## 5.5.1 GROUP A

### 5.5.1.1 CO-OPERATION IN CO-OPERATIVE LEGISLATION - SOME PROVISIONAL REMARKS -

By

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#### I. INTRODUCTION

Effective and efficient co-operative legislation<sup>1</sup> may be described as a system where general ideas in economics and political science (market economy and democracy), the ethical concept of co-operation, co-operative principles and co-operative law complement each other. In essence, this description is not new.<sup>2</sup> Since it is a case of structural adjustment policies, it now enjoys increased attention.<sup>3</sup>

This system of complementarity does not include the international dimension of co-operative legislation. The following contribution emphasises this issue.

Democracy, Human Rights and the rule of law are today at the centre of the global development debate. International, regional and national policies include structural adjustment programmes designed to reach these goals.

Partant<sup>4</sup> established the unavoidable link between democratic forms of economic activity and democracy as a wider political issue. He writes: "Democracy starts in the enterprises and cannot exist if it is not, first of all, organised at the workplace. Searching for means of development one too often forgets that the masses are the only probable means for any evolution. We have to then accept that they become the only beneficiaries of this evolution. How can you mobilise the masses towards these ends if you hesitate to give them the powers which match their responsibilities?"

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<sup>1</sup> On its necessity cf. Meeting of Experts

<sup>2</sup> cf. Münkner, Co-operative Principles and Co-operative Law

<sup>3</sup> cf., f.ex., Status and role ...

<sup>4</sup> Partant, p.155 (translation by author)

By definition co-operatives are the only type of business organisation which is democratically run. The claim that the benefits of development be devolved upon the "masses" meets another distinctive feature of genuine co-operatives where the surplus (and loss) is shared equally and equitably among the members regardless of their capital contribution. The participation in the decision-making processes and in the particular way of distributing the results is a step towards creating preconditions without which any talk about Human Rights remains an academic exercise for the majority of peoples.<sup>5</sup> Finally, the by-laws of genuine co-operatives, a case of autonomy of the private sector, are an application of the principle of subsidiarity, an essential of liberal democracy.

Genuine co-operatives represent therefore one model of the realisation of democracy, Human Rights and the rule of law. Expectations of those who turn a new towards this model are running high. Lawyers are expected to finally assume responsibility.

The following is a discussion of the borders within which international co-operation confines co-operative legislation (II.), of the main points of co-operative legislation (III.) and, finally, of the somewhat intricate way of turning the model into a serial product (IV.).

The framework to which co-operative legislation is confined by international co-operation and the main points of co-operative legislation are based on the assumption that co-operatives represent a universal or at least a model which can be universalised. My conclusion in part IV. will be that they are a culture-specific form of economic activity and that they are bound to fail where the necessary underlying cultural postulates are not given.

To nevertheless pursue work on reforming co-operative legislation around the world on the lines of a culture-specific model is not as schizophrenic as it might appear at first sight. Mono-culturalism is rapidly losing its quality as the substratum of socio-political organisations. Migrations of unprecedented amplitude and the disappearance of physical and legal barriers are transforming the familiar division between Western and Eastern, Northern and Southern, developed and un(der)developed countries into a new one between a growingly integrating network of globally acting portions of society in each country and the majority of their respective country.<sup>6</sup> The "users" of this network are globally connected by electronic

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<sup>5</sup> This statement must not be construed as saying that violations of the Human Rights of the so-called first generation must be accepted as long as those of the second generation are not implemented. There is no ranking of Human Rights. But there are different types of Human Rights. Cf. Kucuradi

<sup>6</sup> cf. Touraine; Kothari; Sheth, p.175

means of communication sharing a common culture while the majorities in their countries continue to be organised according to territorial and/or personal criteria representing the diversity of cultures in this world.

The consequences for law-making will be substantial. Already now the real legislative power lies in many fields with supra- and international organisations. National states still participate, though, in the procedures. More and more, the legislative needs are, however, defined by this extra-statal global network which disposes of the financial and technical means to have either its needs satisfied or to escape from national, supra- and international jurisdictions.

## **II. FRAMEWORK FOR NATIONAL CO-OPERATIVE LEGISLATION**

Since in the final instance the national legislator is responsible towards its people it must be free to adopt the kind of co-operative law it thinks suitable for the country. There are, however, a number of factors which impact on the effectiveness and efficiency of a co-operative law. For didactic reasons these may be divided into external and internal factors.

### **1. External factors**

#### **a) *ICA and ILO Principles***

From the legislator's point of view the ICA (International Co-operative Alliance) and ILO (International Labour Organisation) principles<sup>7</sup> have a rather limited binding force, if at all. The ICA is a non-governmental body whose decisions do not bind states. The ILO principles are mainly set out by ILO Recommendation 127. Recommendations do not have the binding force of conventions. One could, however, reasonably argue that both sets of principles are part of a public international customary law on co-operatives.

Regardless of their legal nature any country that would disregard these principles would not only forfeit the possibility to become or remain a member of these bodies but it would also risk to not receive assistance by or through these and other international organisations since international governmental and non-governmental co-operation in the field of co-operatives has become a constant reality.

These principles are:

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<sup>7</sup> ICA principles adopted at the 23rd Congress of the ICA, Vienna 1966, as amended by the ICA Manchester Congress in 1995; ILO principles as laid down in ILO Recommendation 127 "Concerning the role of co-operatives in the economic and social development of developing countries" (1966)

- voluntary, variable and open membership within the limits set by the by-laws of the co-operative
- self-determination (self-help, self-administration of autonomously set goals, self-responsibility)
- democratic (one member/one vote as a rule) decision-making, management and control
- de-emphasised role of capital
- principle of identity (members co-finance, co-own, co-run, co-use and co-control their co-operative)
- member-oriented economic efficiency. The debate over whether co-operatives may focus on their members' needs exclusively or whether they should serve the community at large might be revived since the 1995 Manchester ICA Congress added to its list as a seventh principle that of "concern for community". Since the wording of the principle subjects this objective to the approval by the co-operative members, it is no novelty. Nothing prevented co-operatives in the past from **voluntarily** working for the benefit of their community.

As an economic entity co-operatives are regenerated through their own success. Economic efficiency is a function of a reduced number of variables an economic agent has to consider in decision-making. Community welfare as a goal involves, however, an unlimited and thus unmanageable number of diverse variables.

New challenges like the declining quantity and quality of natural resources, life-threatening technologies and growing alienation from decision-making processes will, however, set new parameters for the definition of member orientation.<sup>8</sup>

Except for minor changes, the ICA and ILO principles have a formalised history of 30 years. Why would they be respected now if for three decades deviations were no exception? The fundamental difference between 1966 and 1996 is the radically changed global political scenario. The any other political issue overshadowing East/West divide allowed for manoeuvring. This is far less possible nowadays. Although this is beneficial for the co-operative movements around the world it also involves the risk of narrowing the margin for autonomous law-making.

## **b) Human Rights**

Where, despite all, a government should decide to disrespect these legally not

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<sup>8</sup> cf. Henry, Vom Entwicklungsrecht ...

binding principles of the ICA and the ILO it would still be liable under public international law to respect co-operative relevant Human Rights. The ICA and ILO principles are covered by the internationally binding Human Rights instruments, including the Declaration on the Human Right to Development<sup>9</sup>, and by ILO Convention 141 on the right to form rural organisations.

These instruments contain all the basic prerequisites for co-operative development<sup>10</sup> like, f. ex.

- the right to assemble, associate and federate and the right not to do so
- the right to freely choose one's economic activity and business partner
- the right to freely access competitive national and international markets (excluding, f.ex., transport, storage and marketing monopolies)
- the right to freely access ordinary courts of law
- the rule of law
- the right to self-determination
- the right to property
- the freedom to contract
- the right to positive and negative non-discriminatory treatment, f. ex. in taxation.

## **2. Internal Factors: Socio-economic, Political and Administrative System<sup>11</sup>**

The best of co-operative laws remains a phantom law if the socio-political system of the country is not conducive to the development of genuine co-operatives.

### **a) *The Economic and Political System***

The development of genuine co-operatives pre-supposes a market economy.<sup>12</sup> Market economy is the correlate to a political system where basic Human Rights are respected.

Contrary to a widespread belief modern market economy requires a highly complex<sup>13</sup> political and legal system. The balance between non-intervention into economic

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<sup>9</sup> cf. Henry, Co-operative Law and Human Rights

<sup>10</sup> cf. Penn; Henry, Co-operative Law and Human Rights

<sup>11</sup> for more details, cf. Henry, Hagen, Co-operative development policy - a possible approach by governments -, study prepared for the ILO 1995

<sup>12</sup> Hanel, p.339, p.346: "Ergänzungsmodell"

<sup>13</sup> Hösle, p.13



affairs and the duty to publicly protect co-operative members, third party and public interests is the result of a densely woven net of interrelated norms. These norms aim primarily at maintaining competitive market conditions, above all the largest possible number of market participants, i.e. competitors. This includes a close net of rules to provide for relief in case of social hardship. The power to decide on production, distribution and consumption, i.e. economic decisions, is delegated to the private sector exclusively. Without this privilege economic responsibility may not be assumed by the private sector. Delegation of power to the private sector combined with a large number of decision-makers yields the highest probability of economic success.

Out of necessity, governments might be tempted to use co-operatives to minimise the social costs of structural adjustment. There is, however, no reason why co-operatives should bear the social costs of structural adjustment more than other types of enterprises. Besides, co-operatives are the result, not an instrument of structural adjustment.

#### ***b) The Role of the State***<sup>14</sup>

From a technical legal point of view a clear definition of genuine co-operatives in the law and silence as to government structures and powers to interfere in co-operative affairs implicitly also defines the role of the state:

- Member orientation excludes a policy whereby co-operatives may be used as tools in the hands of governments to pursue political, developmental, social or other general goals.
- Autonomy in goal setting and pursuit including the power, in real terms, to pass by-laws excludes public financing of co-operatives and thus tutelage, control and a legislation which would exceed the stipulation of an organisational framework.
- Open membership and democratic control exclude negative and positive discrimination of certain potential members or groups by the state or the co-operatives themselves. The principle of open membership has to be weighed, however, against the fact that co-operatives are based on people whose willingness to work together is decisive. It should therefore not be enforced.

The commonly held view nowadays that the role of government is reduced to the duty of creating and maintaining a favourable climate for co-operatives and of exercising normative control by (de)registering co-operatives and by seeing to it that

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<sup>14</sup> Münkner (Neuf leçons...) adds to each chapter ideas on the relationship between the state and co-operatives; Münkner, Co-operative law and the regulatory ...

laws, regulations and the by-laws of co-operatives are respected in the interest of the members and of third parties needs clarification in two respects:

- First of all, it is essential to recognise that this rudimentary role of government is not a co-operative specific issue. It is part of the general policy of the state towards mainly small and medium sized enterprises and the power of the state to monitor the economic activities of organisations, in the interest of their members and of third parties.
- Secondly, the view that governments have only the described rudimentary role to play does not take into account the specific situation of the countries of the South which requires that co-operative policy be a co-operative **development** policy.<sup>15</sup> Given the complex involvement of the state in co-operative affairs in the past, the specific economic circumstances and the effects the unprecedented accelerated socio-economic change has on poorer strata of the populations in most countries of the South, the design of a new co-operative development policy must
  - \* be supplemented by that of a policy of active disengagement<sup>16</sup>
  - \* contain a definition of the promotional role of government in the development of a genuine co-operative system.

Policies of disengagement and promotion should be designed and/or implemented separately from a policy on the development of genuine co-operatives. They are of a temporary nature and there should be a clear cut with the past. Genuine co-operatives should develop without being hampered by the old system.

One of the crucial preconditions for the development of a genuine co-operative system is the successful transformation or dismantling of a system which has nothing else in common with genuine co-operatives than the name. Equitable answers must be found case by case and based on local knowledge to the following questions:

- Who will be in charge of the social tasks co-operatives fulfilled in the past?
- What will be the professional future of those who worked as (quasi) civil servants in the state run co-operative machinery?

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<sup>15</sup> cf. Carlsson, pp.79 ss., 212 ss.

<sup>16</sup> term preferred to that of de-officialization in order to outrule government involvement in any possible form

- Who is to receive which share of the assets of the dissolved or transformed co-operatives?
- How may the interests of third parties be preserved?
- May government support structures be transferred to an independent co-operative movement?
- How can food supply be secured?

### **c) *The Administrative System***

Just as important as passing an adequate co-operative law is its effective implementation. This concerns the administrators as well as the structure of administration.

In theory, administration, in its institutional sense is a tool in the hands of government. In practice, political change often meets the inertia of civil servants. How can they be convinced of the advantages of an independent co-operative movement?

In addition, the politico-legal complexities of modern market economies, as outlined above, require administrators capable of managing this complexity. Past practices to directly run co-operative day-to-day affairs did not qualify them for this task.

Furthermore, the structure of co-operative administration<sup>17</sup> has an influence on the effectiveness and efficiency of a co-operative law. Depending on the political and administrative structure of the country in general this structure should be decentralised or deconcentrated as far as possible since co-operatives are a matter of local needs best to be served by (autonomous) local administrative entities. They have the necessary (local) knowledge.

**ONCE A GENUINE CO-OPERATIVE SYSTEM IS IN PLACE THE ADMINISTRATION IS AS RUDIMENTARY AS IS THE ROLE OF GOVERNMENT. THE REMAINING TASKS LIKE REGISTRATION, DE-REGISTRATION AND NORMATIVE CONTROL ARE NOT CO-OPERATIVE SPECIFIC AND MIGHT, THEREFORE, BE INTEGRATED INTO THE EXISTING GENERAL STRUCTURES, F. EX., BY HAVING ONLY ONE REGISTER FOR ALL TYPES OF BUSINESS ORGANISATIONS, INCLUDING CO-OPERATIVES.**

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<sup>17</sup> This issue needs much more reflection. Planning and development administration as separate structures, as can be found in many countries, might not be an adequate response to many an administrative problem. Cf. also Illy und Kaiser; Cournot

### **III. MAIN POINTS OF CO-OPERATIVE LEGISLATION**

#### **1. Legislative Policy**

Adequate co-operative legislation is not a sufficient means to implement co-operative policy. It might even be the least important. It is, however, a necessary means. It is necessary because the rule of law is part of the now generally recognised Human Rights approach to development. This requires that legal relationships among citizens and between citizens and the state be based on acts of parliament. Furthermore, it has decisive functions in a setting at which structural adjustment policies, programs, and related international co-operation are aiming because the main form of structural adjustment is institution-building. By definition, laws are building bricks of most societies. Law is by far the most sophisticated, tested and internationally recognised and used tool of information and communication. It therefore answers the question of how to implement co-operative policy to an important extent.

Furthermore, laws add to stabilising the political system, provided the judiciary is independent.

#### **2. Nature of the Co-operative Law**

The overall objectives of minimum government involvement, maximum deregulation, maximum democratic participation and minimum government spending to be pursued through structural adjustment policies on disengagement of the state from economic activities, on the autonomy of the private sector and on the partnership of the state and the private sector in economic affairs define the nature of the co-operative law. It may not be part of the public/administrative law and it may not regulate in detail the operations of co-operatives or the activities of the co-operative sector of the economy. It may only provide those private persons who want to make use of it with a form to organise their economic activities.

#### **3. Choice of Instrument**

Which of the, possibly hierarchically ordered, legal tools (constitution, law, ordinance/decreed, regulation, government order, model by-laws etc.) will be used and for which matter? The choice is not a free one. The rule of law and the autonomy of co-operatives serve as guidelines. The rule of law requires that all basic matters, i.e. at least all those related to co-operative principles be dealt with in the law. Matters which either undergo frequent change (f.ex. interest rates) or which tend to disappear over time should not be included in the law since the law should remain unchanged as long as possible. Autonomy is an expression of the democracy related principle of subsidiarity. According to this principle, priority must be given to the

autonomous regulation by the co-operatives through by-laws, i.e. public regulation must be restricted to preserving public and third party interests, to the extent it is vis-à-vis other business enterprises. An additional positive side effect of this restraint is that co-operative members learn the co-operative way by drafting their own by-laws.

#### **4. One Co-operative Law or Several Co-operative Laws?**

In view of the wide range of self-help organisations with differing activities, needs, membership base, stages of development, sizes, degrees of complexity, interrelatedness with competitors, it must be decided whether there shall be one law for all types (f.ex. service, workers', consumer), all activities (f. ex. agriculture, housing, fishery, cattle raising, savings and credit, transport, supply, marketing), all professions (f. ex. fishermen, craftsmen, medical doctors, lawyers, herdsman), single and/or multi-purpose co-operatives, one law with separate parts for each type or several distinct laws. It might even be that there is no need for a separate co-operative law at all if, f. ex., the civil code, commercial or other laws provide for co-operatives.

One single law, possibly with different parts for specific matters for specific types of co-operatives tends

- to better guarantee the autonomy of co-operatives since the degree of detail will be lower than in a multitude of laws
- to lessen bureaucracy
- to favour the unity of the co-operative movement.

#### **5. Language of the Co-operative Law**

Often the official language of the country reforming its co-operative law is not the one spoken by the main target groups of the law. In addition, legal terminology is seldom part of the language of the common people. Unknowable laws, for reasons of language or style, have no chance of being applied by the target groups. Vernacular language versions and popular style, no cross references to other laws are proposed solutions. The systemic character of laws and their common language have, however, an important unifying effect. The language will therefore be the one all other laws are written in. The style will have to be the style of the whole legal system.

The queries raised here must be dealt with through thorough dissemination measures. The language problem is a highly complex issue reaching far beyond translation.

## **6. Format of the Co-operative Law**

The format of the law might seem to be of secondary importance. There is, however, a link between format and contents. A detailed law tends to infringe more easily upon the autonomy of co-operatives since there might not be room enough to express this autonomy through by-laws. A short law, ruling on basic issues without dwelling on details, is, generally speaking, more difficult to understand by a legal layman since it has to explicitly or implicitly make reference to other rules. Also, it risks to leave too much leeway to government to regulate by decree. But, as a rule, a rather general and short law tends to not require changes as frequently as detailed laws do. Frequent legislative changes diminish the esteem for the law and favour the development of disobedient administrators.

## **7. The Contents of a Co-operative Law**

### **a) Preamble**

Depending on the legal style of the country the co-operative law might contain a preamble, possibly in addition to a clause in the constitution or a separate policy statement, provided the legal nature of such a preamble is clear. The preamble may serve for the interpretation of the co-operative law, especially in a system in which genuine co-operatives have no established tradition yet. Items to be dealt with in the preamble might include statements on the following issues:

- the position of government towards co-operatives
- its role in setting up a sound co-operative structure
- the co-operatives' role and function within the economy
- their character as a means at the disposal of the private sector to further autonomously set goals
- the exclusion of positive and negative discrimination.

### **b) Definition of Co-operatives**

The term "co-operative" might not be very popular in many a country. It should, however, be used since it is, clearly defined, as yet the best word to distinguish member-oriented from capital-oriented business.

The definition of co-operatives helps

- to delimit the partners in the public and the private sector according to new co-operative policies. In order to promote understanding the law could also exclude by a negative definition the kind of groups which are not to be considered as co-operatives

- to solve questions of taxation (who is to be taxed on what?) since it explains the structure of capital formation and its importance for the autonomy of co-operatives
- to interpret the law
- to decide on registration and deregistration matters
- to define the qualifications, rights and obligations of co-operative executives
- to delimit book-keeping and auditing
- to solve questions related to competition and labour law<sup>18</sup>
- to clarify the respective roles of the state and the co-operatives in a market economy
- to rationally use scarce financial and man-power resources
- to evaluate the economic and social, hence the political effects of co-operatives
- to promote international co-operation in the field of co-operatives.

If there is only one law on all types of co-operatives the definition of a co-operative must be broad enough in order to allow for different kinds of co-operatives to be covered.

ILO Recommendation 127 defines in its para. 12(1)(a) co-operatives. Another ready-made definition may be found in section 4 of the 1912 Co-operative Societies Act of India which incorporates a reference to co-operative principles.

These and other definitions<sup>19</sup> may be adopted by way of reference or they may serve as a starting point for an own definition. Either way, the definition must underscore the double nature of co-operatives. They are associations and business enterprises at the same time, distinct from associations, on the one hand, and from business organisations, on the other.

Co-operatives are associations whose members set up, finance, run, control and use an economic enterprise (principle of identity) to support their own enterprises or households. Thus co-operatives **are not** enterprises but they **have** an enterprise! They are associations insofar as they bring together people in order to further commonly shared non economic goals. They are business organisations in that they drive at reducing costs and increasing profits like any other business organisation. They differ, however, from other business organisations in that the benefits are

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<sup>18</sup> cf. the reports of two colloquia on these issues: Report on the Round Table ..., op.cit. and Labour Law and Co-operatives

<sup>19</sup> cf., f.ex., Münkner, Co-operative Principles ..., pp. 24 s.

directed towards the members and not primarily towards the organisation itself. They are therefore member-oriented in their decisions.

This is not just a matter of words. As said above, this distinction has consequences for, f.ex., registration, deregistration, for the qualifications and duties of the management, for taxation<sup>20</sup>, for book-keeping, auditing, for competition and labour law.

It is important to note that the definition of a co-operative organisation does not only apply to primary co-operatives but also to unions, apex organisations and federations of co-operatives if these may be set up in form of co-operatives.

### **c) Co-operative Principles**

The question is whether the preamble or the definition should contain a list of the internationally recognised co-operative principles or whether these principles should only be referred to therein.

On the one hand, listing these principles makes it necessary to change the law every time the principles change. On the other hand, a mere reference to these principles makes the law more difficult to understand and vulnerable to all kinds of interpretations. In either case the question of the legal nature of the preamble must be answered if the principles are to be integrated therein. Furthermore, co-operative principles do not have the characteristics of legal rules. Rule-like principles impede autonomy and variety in legislation and by-law drafting. Principle-like rules impede practical implementation of the law. Except for a reference to the co-operative principles the law should focus on their translation into rules.

### **d) Definition of Terms**

A definition of terms used in the co-operative law might be included, annexed or be contained in a separate paper. This might be important

- because the law on genuine co-operatives is a new measure
- because there might be only one law for all kinds of co-operatives which requires necessarily a rather abstract technical legal wording which must be explained and
- because this kind of definitions furthers international understanding.

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<sup>20</sup> cf. outcome of a seminar organised by the Institute for Co-operation in Developing Countries, Marburg, 1995



### e) **Main Issues**

The co-operative law must contain rules on the formation, registration and organisational structure of co-operatives, on the power to make by-laws, on the rights and obligations of the members and the organs, on the relationships between the members, members and organs, between organs and the co-operative, between the organs themselves and between the co-operative and third parties, on the operations of the co-operative, on capital formation and distribution, on internal and external control (audit), on amalgamation, division, transformation, dissolution, on vertical integration/federation and on dispute settlement.

The sequence of the rules on these issues has no bearing on their legal quality. It might also be that some of these issues are dealt with in other laws of the country.

The author is currently working for the ILO on a checklist of issues to be included in a co-operative law, of the possible options and consequences thereof as well as of issues not anymore to be regulated by a co-operative law.

## 8. **The Systemic Nature of Co-operative Law**

Co-operative law must be understood as part of co-operative legislation. Co-operative legislation is the sum total of all normative, administrative and judicial acts affecting the organisation and operation of co-operatives like, f.ex., rules guaranteeing positive and negative non-discretionary, non-discriminatory use of administrative power and the justiciability of all public acts, constitutional, administrative, regional and local government laws, land law, the civil code, irrigation/water, investment, commercial, company, tax, competition, labour and bankruptcy laws, credit regulations, export and import rules, price regulations, contract and inheritance laws, business and book-keeping regulations, banking rules, property and consumer protection laws, transport regulations, marketing rules, registration legislation.

What applies to a co-operative law in respect of its quality to further the development of a genuine co-operative system applies equally to all these laws, in fact to the whole legal system. Furthermore, law enforcement must be effective, i.e. impartial and prompt. Law enforcement and administration must equal that applied to other business organisations. This is a matter of justice<sup>21</sup> but also a question of fair competition. "Equal" should not be construed as meaning "identical".

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<sup>21</sup> ILO Recommendation 127 stipulates that co-operatives must be allowed to operate on not less than equal terms with other business organisations.

## 9. Law-making Procedure

Special attention must be paid to law-making.<sup>22</sup> If those in charge of administering the law and those to whom it is addressed are involved in all stages of law-making, dissemination and implementation of the law will be easy. Since the very idea of co-operation is based on participation this method constitutes the organic link between the generation, dissemination and implementation of the law.

Co-operative law-making must, however, be carried out with due respect to the rules laid down in the country's constitution since co-operative law must not only be understood and accepted by those concerned but also by the society at large.

## IV. THE COMPLEXITY OF CO-OPERATION IN CO-OPERATIVE LEGISLATION

Co-operative law reforms are carried out with the financial and/ or manpower assistance from inter- and supranational as well as regional and national governmental and non governmental organisations. This assistance consists in extending the chain of borrowing from the European model. As in other fields of "legal" co-operation following this procedure<sup>23</sup>, the assistants underestimate the combined negative effects of at least three intertwined factors:

1. The different historicities (historical authenticities) of the model and the recipient legal order
2. The deficiencies of the transplant
3. The difference in cultural postulates underlying the model and the situation in the recipient country.

### 1. The Different Historicities

Every country is, at any given moment of its history in a unique situation. Its economy, its political system, its social ties, in short: its culture differs so much from that of any other country that solutions may not be copied. They must **be developed** or, preferably, they must **develop** in the country itself.

Information about the reciprocal effects of the factors conducive to a sound co-operative development may be transmitted, advice on how to design the relevant policies may be given, but the attitude to bring about the necessary changes and the necessary adaptations to the specific circumstances must be engendered locally.

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<sup>22</sup> participative law-making procedures have been applied in several countries. Cf. ILO documentation; Münkner, *A New Era ...*, pp.214 s.

<sup>23</sup> deGaay Fortman and Mihyo, p.16; Henry, *Die Stellung ...*

A look at the socio-political and cultural settings in which successful co-operative systems emerged and developed in Europe, North-America and in Japan<sup>24</sup> may help in assessing both the potential for co-operative development and the problems that might arise when transferring foreign social institutions.

## **2. The Deficiencies of the Transplant**

Before borrowing one should closely study the model. It may not be the best "technology". There is a tendency in Western European co-operative legislations at the moment to adopt the modes of management, business behaviour and capital structure common to stock companies. This is a reaction to increased competition by other forms of business organisation at the national, regional, supra- and international levels. As markets tend to become more open, co-operatives enjoy new opportunities but they also face unknown challenges. Their search for competitiveness, mainly through mergers and acquisitions, by changing their capital structure and by entrusting more entrepreneurial powers with professional, non-member managers, has put the characteristics of co-operatives, being democratic, member-centred, self-determined organisations, at stake:

- Mergers and acquisitions lead to larger memberships whose direct participation in management/administration is difficult to organise. Meetings of delegates/representatives do not fully compensate the loss of direct democracy.
- The powers of the management are increased at the detriment of those of the general assembly.
- Bigger sized co-operatives with increased turnover require professional managers who might find it impossible to close the widening qualification and information gap between them and the members. The members' possibilities to effectively control are thus lessening.
- Non-member professional managers tend to put competitiveness, growth and financial stability first.
- Increased turnover and new technologies require a larger capital base which a variable membership is not able or willing to provide out of own resources. This leads to the attraction of investment money from members and even from non-members, to preferred shares with secondary liability and fixed interest rates reinforcing the trend towards company structures.

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<sup>24</sup> for details see Henry, Hagen, Co-operative Development Policy - a possible approach by governments -, study prepared for the ILO 1995

- Unrestricted non-member business leads to a loss of autonomy and threatens the principle of identity.
- Memberships tend to become heterogeneous. It becomes difficult to convince such memberships to maintain the constituent principle of equal rights and obligations of all members. Plural voting rights and share contributions in proportion to the business done with the co-operative are introduced. Where rights and obligations are linked to the volume of capital contribution the borderline between a company and a co-operative disappears.
- Members' motive in established co-operatives is not any more an immediate economic need but it tends to reflect economic speculation. The relationship between the members and their co-operative is becoming that of a client/business relationship marked by anonymity and depersonalisation (voting by mail).
- Symbolic share contributions combined with limited liability lead to decreasing motivation to participate in the administration of the co-operative.
- Non-member investment shares entitle to a portion of the assets of the co-operative. Investment members claim participation through special meetings. They have the right to attend and speak at meetings and to challenge the decisions of the general assembly just like ordinary members.
- Transferability of investment shares, which may even be quoted at the stock exchange, adds to the dependency on anonymous capital holders.
- Non-member employees sit on supervisory boards.<sup>25</sup>

Modern co-operatives seem to be caught in a vicious circle of an adequate response to increased capital needs and professional management of that capital, on the one hand, and a widening gap between that management and a membership which, willingly or unwillingly, is ever less involved in running their co-operative, on the other hand.

The more co-operatives adopt organisational patterns of companies, the higher the transmission costs in a co-operative, the more identity lessens, the less one may argue that they deserve a treatment distinct from that of other business organisations. The tendency to treat them like companies may be seen in tax, labour and competition law. This undifferentiated treatment, in turn, incites co-operatives to further weaken their identity.

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<sup>25</sup> more details on these developments: Münkner, Structural Changes ...

There is a risk that deviations from co-operative principles will not be corrected. International co-operation is focusing on company structures. The WTO will push more effectively than the GATT Secretariat for even more competition favouring capital-centred business organisations. The EU initiative to pass legislation on a European form of co-operative society tolerates all existing national deviations from basic co-operative principles. It reinforces competitive imbalances thus pushing towards adjusting national legislations accordingly.<sup>26</sup>

### **3. The Difference in Cultural Postulates Underlying the Model and the Situation in the Recipient Country**

The adoption of the kind of co-operative legislation described here as part of structural adjustment in order to help to achieve democracy, the respect for Human Rights and the rule of law will not by itself yield the necessary success. The whole legal system and the socio-economic and political conditions must be made jointly conducive to the development of genuine co-operatives. This statement is true independently of the state of development or the culture of a country. But its validity in cases where culturally differing elements are introduced into the system is not established. The hypothesis here is that co-operatives are, and hence co-operative law is, based on specific Western cultural postulates which are not given to the extent assumed in all the countries now reforming their co-operative laws.

The situation of the lawyers involved in the reform processes is tragic in its true sense: At the very moment when finally the place and role of law and lawyers in development is recognised<sup>27</sup> the "Declaration on the end of history" (not only by Fukuyama, but also by international organisations such as the World Bank and by so-called donor country governments<sup>28</sup>) pretends to falsify what in the aftermath of Montesquieu<sup>29</sup> had hesitantly been accepted as "Seidman's Law on the non transferability of laws". Consequently, the reception of one type of law is reaching an intensity unprecedented in history.

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<sup>26</sup> Luttermann

<sup>27</sup> Weltentwicklungsberichte 1987 (pp.29 ss.) and 1991 (pp.162 s., 164,184); Riedel und Pollak

<sup>28</sup> Fukuyama; Zusammenarbeit im Dienst ..., p.125; Jahreswirtschaftsbericht..., Ziff.47; Zur Übertragbarkeit ..., pp.8 s., 12, 16-19, 41

<sup>29</sup> Montesquieu, Chap.3: "La loi, en général, est la raison humaine, en tant qu'elle gouverne tous les peuples de la terre ... et les lois doivent être tellement propres au peuple pour lequel elles sont faites, que c'est un très grand hasard si celles d'une nation peuvent convenir à une autre."

To demonstrate the point one essential element of co-operative law will be singled out. Co-operative law regulates a specific type of economic **organisation**. The basic type of an **organisation in law** is an **association** as opposed to **community-type groups**. These are two irreducible concepts defined in sociology since Mauss, Tönnies, Weber, Spencer and others.<sup>30</sup> The distinctive features are: **Associations are constituted by adherence** as bodies **independent from the members** and they **pursue** one or several **specific, precise objectives**. **Community-type groups consist of members who belong to them** by birth, age, sex or other non cultural criteria. They **pursue** an unlimited number of **diverse objectives**. The main **objective of co-operatives** is to **improve the economic situation of their members**. The **objective of a community-type group** is the **reproduction of social relationships**.<sup>31</sup>

ILO Recommendation 127, in its para. 12(1)(a), as well as ILO Convention 141 clearly refer to **organised co-operation**, i.e., one specific form of co-operation groups. Lawyers trained in modern law have this kind of organised co-operation in mind when dealing with co-operative law. More often than not, however, all forms of self-help co-operation are construed as being of the organisation-type.

Only organisation-type groups may be legal persons. One of the preconditions for the successful introduction of the idea of a legal person is the possibility to conceive an entity which is distinct from the physical persons adhering to it. Whether this is possible depends on the conception a society has of the individual. The concept of a legal person is based on a congruency of the individual and the physical person. The basic entity in western law is the physical person. A society which conceives the community as indivisible (individual!), in the legal sense, cannot accept the idea of there being a legal person detached from its physical members.

The eligibility for co-operative membership varies from country to country, and even within a country, according to the degree of individualisation within the society or parts of the society. The distinction between organised self-help co-operation and other forms of co-operation is not a clear-cut one, especially in times and places of rapid socio-economic and cultural change. The main catalyst in this change is international co-operation where the individual person is the basic legal unit. Legislation in a social setting where the trend towards individualisation causes economic and psychological hardships might have to differ from that in a setting

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<sup>30</sup> Maritain; Jonckers; Kassibo

<sup>31</sup> further details and illustrations in: *Les associations paysannes ...*

Also Münkner, *Comparative Study ...*, pp.17 ss.

where individualisation is the commonly established pattern of society and where already individualised persons join efforts in a co-operative organisation.

Independently of the political changes taking place the problem of ineffective co-operatives will remain as long as the confusion of the above outlined concepts persists. It has led and will lead to the phenomenon whereby the formal aspects of co-operatives are adopted, whereby all promotional measures are accepted but whereby in reality community-type structures, operations, responsibilities are reproduced within the formal structures and supersede the intended contents of the co-operative law.<sup>32</sup> The result of this behaviour is a reciprocal blockage of the ability of the two types to perform properly.

All too easily failure is imputed on fraudulent behaviour. Where such behaviour might occur in extreme cases, the real reason is elsewhere. It is the incompatibility of the concepts of community-type groups and of co-operative organisation. Where the physical person is not the basic legal entity, the rights and the obligations conferred upon him by the co-operative law (freedom to adhere and withdraw, to elect and be elected, the obligation to contribute to the capital or the operations etc.) are superseded by the rules of the community he belongs to. The co-operative principle of member-orientation thus easily turns into community orientation.

#### **4. The (Mal-)Conception of Co-operation**

There are voices calling for the rejection of the idea to introduce Western-type co-operative law into Africa altogether. To cite Cheaka and Sacca-Kina: "Au droit européen individualiste, fondé essentiellement sur l'autonomie de la volonté laïque et qui pour autant n'est pas totalement affranchi de la tutelle de la morale chrétienne, l'Afrique noire doit opposer un ensemble de pratiques communautaires adaptées à l'esprit coopératif et étroitement liées à la culture, aux croyances souvent indissociables avec les autres règles de la vie sociale qui sera aussi du droit. Plus spécifiquement, les législations africaines doivent tendre à marier l'esprit de vie communautaire et les principes coopératifs qui, du reste, reposent aussi sur la solidarité, l'entraide et la responsabilité sociale."<sup>33</sup>

This, indeed, is the challenge of adequate co-operative law reform. It is important to not oppose Africa to Europe as if culture were still a matter of geography. The opposing interests in development are not anymore geographically defined. One of the paradoxical effects of past development co-operation is the growing number of Europeanised people in the so-called 3rd World. The opposition 1st/3rd World is

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<sup>32</sup> Kassibo, p.228

<sup>33</sup> Cheaka et Sacca-Kina, p.235

doubled in each country of the so-called 3rd World. European-type co-operative law therefore has its place in these countries. The problem is not its existence but its primacy and the lack of mechanisms that could reduce the tension between the co-operative way of organising economic activities and community-type ways of living which lead to lex-shopping by culturally mobile people<sup>34</sup> to the detriment of their country fellows.

The need to find culture-specific solutions to the problems in Africa is urgent, but the numerous obstacles to introducing them cannot even be discussed as long as such culture-specific solutions are not developed and proposed. Such proposals could be a first step from an Africa being continuously an object of development to an Africa becoming a subject in the development debate. To raise the issue of development to the question of active participation in global decision-making processes will be the challenge of the coming decades, not only for Africa.

Since neither continued and improved transplantation of laws nor its total ban is desirable, a solution could be sought in linking the differing worlds.<sup>35</sup> One could f. ex.

- consider further types of membership taking into consideration the difference in defining the individual. In cases/areas where an individual person does not have legal power over the main means of production (land, cattle and/or irrigation) individual membership might be dysfunctional. Instead, non-corporate groups such as households, possibly also extended families and even small villages might be considered as members in addition to membership of physical and legal persons if these groups (adherence criteria must be clear) may be identified and their coherence guarantees duration in time.

Membership of such groups might ease possible social tensions and disadvantages if an individual is free under the law to join a co-operative despite the fact that the household has rights over the main production means. In times of rapid socio-economic change this might help to lower social costs. It might also be seen as a possibility to preserve the advantages of existing co-operation groups.

There might be non-corporate self-help groups not bearing the more socially defined characteristics of the above-mentioned households but which over an extended period of time exercise some common economic activity and which for different reasons (lack of funds, knowledge, skills, number...) are not able or not willing to found a co-operative. Membership of these groups might be considered as well.

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<sup>34</sup> a concept introduced by Stürzinger

<sup>35</sup> Kouassigan, *op.cit.*, repeatedly urged legislators in the 60ies already to find a solution to the problem; cf. also Schaeffer



In both cases a balance must be found between the rule 'one member/one vote' and the possible aim of preserving the independence and special features of such groups within a co-operative made up of mixed membership.

- make use of the more effective so-called traditional ways of dispute settlement
- rely on traditional forms of local government to administer co-operative law<sup>36</sup>

Any search for these kinds of solution to the problem of inadequate legislation will have to consider the following problems:

- Even if **law** is a universal phenomenon -doubts remain-, linked to life in society, **laws**, i.e. the conceptions thereof are culture-specific. European law is a *segregated social subsystem, independent from other rules of behaviour, reproduced through own procedures and administered by a distinct class of lawyers*. In societies which do not define such a subsystem, or which define it in another way, the introduction of a European-type co-operative law will have only limited positive effects.
- There is no common understanding on development as the object of co-operation in co-operative legislation. Development has at least four aspects: descriptive, normative, procedural and goal oriented. Easily found understanding on the last aspect continues to justify the ongoing adjustment to European-type law.<sup>37</sup> Nobody objects to democracy, the respect for Human Rights and the rule of law as development goals. The more we focus on these aspects the less clearly we see the other aspects. The two first ones are a function of culture. The procedural aspect seems to hardly ever be seen. Yet, it is the kernel of development.
- Ever since the Greeks reported on cultural differences, development is perceived in terms of how well co-operation efforts succeed in closing the difference between countries in terms of factors like economic growth, per capita income, income distribution, human development (health, education etc.). Evaluations of these efforts are constant in showing a growing difference. However well we refine our tools, like the co-operative legislation, in reaction to this, the difference will continue to grow unless we succeed in solving the problem of reciprocal blockage, referred to earlier, to which culturally different forms of social organisation lead if imposed upon society through law.<sup>38</sup>

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<sup>36</sup> a way to do this is outlined by Jacob et al.

<sup>37</sup> for a general critique of globalization of this type cf. Sheth

<sup>38</sup> von Laue; Preiswerk

- Law reform continues to be perceived as a tool to unify differing laws and hence political ways in the country. Unified law is seen as a political power generating force. Genuine co-operatives in the agricultural sector would provide the state with one of its key attributes, i.e. to decide in land law matters, a power which continues to be vested mainly with community-type groups. The international legal system is supportive of state structures since international organisation is based on states. The issue of forms of political structure might be reconsidered.<sup>39</sup>
- The view of law as an instrument is equally shared by so-called donor and recipient countries. The latter use law partially to create their power base, the former to satisfy their need to "help". While the term "aid" has been replaced by that of "co-operation", the notion "donor" reveals the continued misunderstanding. Governments do not "donate". They pursue the interests of their people by whom they are elected.
- A lack of willingness to go beyond lip-service to cultural diversity in international co-operation is difficult to detect.
- Even if there were such a willingness, the capacity to do so would have to be built first.
- The very distinction between modern and other world views is the belief of the adepts of the former in the universality of their view or at least the possibility to universalise it. The emergence of pockets of modern segments in each society seems to prove the correctness of this belief. Hegel<sup>40</sup>, Marx, Fukuyama, the World Bank and others<sup>41</sup> build their theories on the foundations which the Greeks laid, the conquistadores "refined" and the French revolutionaries operationalised.
- The belief in the universality of Western law in international "legal" co-operation is, despite some scattered warnings, generalised. In an otherwise rather balanced policy paper on legal co-operation with Eastern Europe the EC-Commission states: "It should be stressed, however, that the EC is not in any way limited in its ability to provide any required law reform assistance. It contains within it the two principal legal traditions in the world - the civilian and

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<sup>39</sup> the model proposed by Münkner/Shah for co-operative development could be generalised to serve as a model for political restructuring as well. cf. also Henry, Co-operative Law and Human Rights, p.38

<sup>40</sup> Hegel, op.cit., p.128: "Dieser Zustand (Afrikas) ist keiner Entwicklung und Bildung fähig, und wie wir sie heute sehen, so sind sie immer gewesen."

<sup>41</sup> f.ex. Senghaas

the common law and their many variations - but where these are not entirely satisfactory the EC, through the formation of its advisory teams and groups is capable of involving European specialists who could, if necessary, bring expertise enabling individual Independent States to adapt law reform to local conditions, traditions and culture - such as Islamic or customary law. Where appropriate the TOR of individual projects may so specify. This is not to suggest that the EC should venture into issues of non European law as such, but merely to observe that the ramifications of diverse legal cultures, especially in Central Asia, will need to be taken into account in project designs where appropriate."<sup>42</sup>

A word by word analysis of this statement reveals the insecurity lawyers feel when confronted with other law ways than their own.<sup>43</sup> The terms of reference for lawyers in co-operation contracts match therefore the qualifications of western lawyers.

The EC-Commission echoes what in 1966 already had been advocated for Africa in almost the same wording: "... legal studies should be concentrating on the two major legal systems, the French and the English law, as well as on national laws".<sup>44</sup>

- The model is transplanted because there are only western lawyers, in the cultural sense, and there is no method at their disposal to understand and work with other law ways. "When the lawyer goes abroad he sails into a vacuum. He takes with him nothing that can reasonably be called a careful thought-out, explicit theory of law and society. His only recourse is to project what is familiar to him onto the foreign context", Friedman wrote in 1969.<sup>45</sup> Since then we lawyers have not made much progress.
- Although there are only Western lawyers some of them are at the same time rooted in another culture. Instead of letting these brains drain it could be wise to recognise this as an asset just as worthy as knowledge of western law.<sup>46</sup>
- Even less than in the field of knowing culturally different law are we lawyers prepared to work on the field of a law which could regulate development in the sense defined above, i.e. a law to unblock the situation so that development

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<sup>42</sup> European Economy, p.38

<sup>43</sup> LeRoy, p.213

<sup>44</sup> Tunc, p.22

<sup>45</sup> Friedman, p.41

<sup>46</sup> Schaeffer, op.cit., urges to have African lawyers drawing a parallel to more successful receptions in Russia and Japan

potentials of each culture may mobilise. Ki-Zerbo rightly points to the problem when saying that times of accelerated socio-economic and political change may not be managed without an adequate theory. Attempts to design theories of law and development ended with a harsh critique of the "Development of Law" and the "Development Law" schools<sup>47</sup> by their own adepts.<sup>48</sup> We are back<sup>49</sup> at the stage where we saw law as a tool in the hands of governments to achieve development in the sense of bridging the economic gap between countries, if ever we left that stage at all.

- As already pointed out, national parliaments have an ever lesser role in legislation.
  - \* How can an international system which does not follow democratic public international law-making procedures "produce" democracy through co-operation?<sup>50</sup> Democracy means participation on all levels.<sup>51</sup>
  - \* What can international co-operation do for democracy at the workplace if it favours company forms of organisation over co-operative forms by reducing economic efficiency to degrees of competitiveness?
  - \* What can an international public law-making machinery, based on a membership of territorially organised states do in order to find a necessary compromise between the interests (politics) of the people organised by these states and of the "users" of the global network mentioned above who, through their ways of communication, escape the reach of national and public international law?
  - \* What does co-operation mean in a system made up partially of states whose statehood depends on money supply from international organisations which they do not control and whose growing debt services

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<sup>47</sup> Bryde; Henry, Von der Entwicklung ...

<sup>48</sup> Trubek/Galanter; Merryman; Burg; Blanc

<sup>49</sup> Riedel und Pollak, Vorwort: " ... Recht ist sowohl Ausdruck der jeweiligen sozio-ökonomischen Situation eines Landes als auch politisches Instrument der Staatsführung."

<sup>50</sup> out of the five permanent members of the UN Security Council only one (China) is non European in the cultural sense. Voting rights in the international financial institutions are weighed according to the GNP, not the share contributions of the member countries - not even to speak about a one member/one vote system. Where the statutes of international organisations require the composition of organs to reflect the cultural diversity of this world, the formal criteria of nationality is used. For an in-depth discussion cf. Hartwig

<sup>51</sup> Henry, Co-operative Law and Human Rights, p.38

turn the so-called donors into net recipients of money?<sup>52</sup> Co-operation is only possible between partners, i.e. subjects of action. As long as the countries of the so-called 3rd World remain objects of development their situation will reflect the needs of others.<sup>53</sup> The margin for becoming subjects of their own development has lessened since the ideological East/West divide finally disappeared.<sup>54</sup>

- \* How can an international system that relies on two languages as means of legal communication foster cultural diversity? F. ex: What do we mean when we say a "fishermen's co-operative"? Is the fisherman a man who catches fish for a living? Or is that too vague a category since it does not distinguish between the kinds of waters one may fish in, the kinds of fish, between migrant, semi-nomadic, sedentary, autochthonous, allochthonous ... men who fish?<sup>55</sup> Is economic efficiency a transcultural concept?. Material distinctions are just one way to give words to phenomena.<sup>56</sup> Language denied is law denied, is justice denied!<sup>57</sup>
- "Donor" activities are uncoordinated both on the national and on the international level. On the national level different ministries, government agencies and semi-official institutions are involved and sometimes do not coordinate their activities. On the international level lack of co-ordination within and among organisations adds to this waste of human and financial resources to the detriment of co-operative development
- Quite frequently agencies in charge of co-operative development "aid" are disconnected from the co-operative movement in their own country and are highly politicised. Apart from political reasons this is a consequence of the overall phenomenon whereby development is seen as a separate subject in itself in research, in education etc., to be administered by development "experts" and by special branches of government.
- "Donor" governments are inconsistent in their policies on the national and the international level.

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<sup>52</sup> E + Z (Entwicklung und Zusammenarbeit), 1996: 5/6, p.156

<sup>53</sup> deGaay Fortman and Mihyo

<sup>54</sup> Sheth, p.173

<sup>55</sup> cf. Kassibo, p.228

<sup>56</sup> Sack; Griaule

<sup>57</sup> Henry, Justice ...; Henry, Juristische Entwicklungshilfe ...

- Comparative law lacks the features of a universal science. Its main aim remains the unification of all laws.<sup>58</sup> In a reciprocal process with co-operation praxes it satisfies the needs of some to operate globally under cost reducing unified conditions.<sup>59</sup> Comparative lawyers are not prepared to face the challenge of tomorrow the fundamentalist signs of which are present already today: How to reconcile genuine global needs with the need for particularities?<sup>60</sup>

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<sup>58</sup> for this aim cf. Ebert; Rodière; Zweigert und Kötz; Rigaux

<sup>59</sup> deGaay Fortman and Mihyo

<sup>60</sup> stimulating: Lamo de Espinosa

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## 5.6 PRESENTATION OF GROUP WORK RESULTS

### 5.6.1 GROUP A: ADJUSTMENT PROGRAMMES, TRANSPARENT MARKETS AND CO-OPERATIVES

#### TOPIC: NECESSARY CHANGES IN POLITICAL, ADMINISTRATIVE AND LEGAL CONDITIONS

##### Introduction

Discussions on the topic above were preceded with a paper on "Co-operative Legislation - Some provisional remarks" by Dr. Hagen Henry, Kauniainen, Finland

##### Required Changes - Levels

Changes in the political, administrative and legal conditions must occur at both national and regional/international levels

##### *Political Changes at the National Level:*

- Introduction of a democratic system of governance which must have the following
  - Freedom of association
  - Freedom of expression
  - Freedom of the press
  - Freedom of movement
  - Transparency
  - Respect for human rights
  - Accountability
  - Ownership of the development programs
- Political/Economic Changes at the regional / international level
  - Respect for human rights
  - Peaceful atmosphere
  - International responsibility, i.e. where people in a particular country are talking problems of whatever nature, the international community should help in finding a solution
  - Economic co-operation
  - Harmonisation of trade policies between and among countries

- Acceptance that the development programs must be initiated by the beneficiaries to whom they also belong
- Appropriate and flexible donor conditionalities
- Administrative changes at the national level:
  - Decentralisation and deconcentration of power and authority from the centre to the lower levels
  - Continuity in administration
  - Competence to administer the new free-market
  - Performance-based incentives to reward the administrators
  - Accountable administration
- Administrative changes at the international level
  - Removal of the trade barriers
  - Timely, transparent and simplified donor conditionalities
  - Competent and accountable administrators
- Legal changes at the national level
  - Co-operative policy framework
  - Legal policy
  - Right to appeal against decisions by the administrators
  - Review of co-operative legislation and checking to ensure that there is no conflict with other laws such as trade law, civil law, customary law etc.
  - The process of making the co-op law to be participatory so that it involves all interested parties
  - Independence of the judiciary
  - Constant review of the co-op laws so that they are revised as necessary
- Legal changes at the international level:
  - Review of ILO Recommendation No. 127 on the role of co-operatives in developing countries and make it a convention instead of a recommendation
  - Review ICA Co-operative Principle No. 7 "Concern for the community" should not be seen as the main *raison d'être* for co-operatives

## **5.6.2 GROUP B: ADJUSTING CO-OPERATIVE STRUCTURES AND ACTIVITIES TO MEMBER NEEDS**

### **TOPIC: NECESSARY CHANGES OF POLITICAL, ADMINISTRATIVE AND LEGAL CONDITIONS TO FACILITATE CO-OPERATIVE DEVELOPMENT**

#### **Political, Legal and Administrative Changes**

##### ***Political***

- Governments should articulate a clear policy which provides for a favourable climate for the development of co-operatives. Such policy should cover the provision of an enabling legal environment, equal treatment of co-operatives with respect to competitors, removal of barriers on operations, access to markets, need for complete participation by all stakeholders in the formulation of co-operative policy, in particular the involvement of co-operative members
- There is need to organise sensitisation meetings for the general public as well as politicians. The group recognised the adverse impact experienced by co-operatives because of political interference and prescribed the need to discourage such interference. Apart from the group's recommendation that co-operatives should maintain a large element and reasonable political neutrality, co-operatives should be free to lobby for their legitimate recognition but should not expect to receive preferential treatment.
- The group also encouraged a deliberate advocacy of women participation in co-operatives as well as the youth.
- The group also discussed the question of bringing back tax and other incentives for co-operatives. Here again, there was no consensus as some members felt that this was not compatible with the desire by co-operatives to be accorded equal treatment with their competitors.
- The group also discussed and agreed on the need for regular interaction with collaborating international partners.

##### ***Administrative Issues***

- In order to provide efficient support services, the working group saw the need to streamline government structures responsible for servicing co-operatives

- In addition, the group also prescribed the need for co-operatives themselves to streamline their structures for maximum efficiency.
- Also the group discussed the need to provide for women representation in leadership at all levels of the co-operative movement
- The group also recognised the need for networking with collaborating national and international partners in order to improve the effectiveness of the structures

### ***Legal Issues***

- Realising that a number of the African countries have and are undergoing significant political, social and economic transformation, including structural adjustment, the group prescribed the need to urgently review existing legislation to reflecting this new order. Such review should examine, among other issues, the extent to which existing legislation reflects co-operatives principles and values, in addition to ensuring that the law has adequate clauses and provisions for encouraging the development of co-operatives. In addition, such review would ensure the removal of legal barriers to entry of new co-operatives where they exist.
- Where legislation is being reviewed, the group recommended that such review should attract the participation of all stakeholders, including the involvement of co-operative members.
- Once the review process has finished co-operatives should be given the autonomy to formulate their own by-laws which are consistent with the applicable law.

## **5.6.3 GROUP D: ORGANISING SUSTAINABLE CO-OPERATIVE TRAINING, COUNSELLING AND AUDITING SERVICES**

### **TOPIC: NECESSARY CHANGES IN POLITICAL, ADMINISTRATIVE AND LEGAL CONDITIONS TO FACILITATE CO-OPERATIVE DEVELOPMENT**

#### **Introduction**

The group discussed the above topic with regard to organising sustainable co-operative training, counselling and auditing services.



### **Training**

As far as possible co-operative training institutions should move towards greater autonomy and be owned by the movement, but governments should continue to support them financially and otherwise as a way of carrying out their primary responsibility of educating their citizens. Training guidelines could be provided by the Registrar ensuring highest quality standards. Training must be needs oriented and practical. As a result, curricula for co-operative training must be reviewed. Training certificates of co-operative training institutions must be recognised, thus enhancing the image of certificates offered.

### **Audit Services**

Management, directors and members should be educated on their responsibility for auditing their societies. Audit (control) committees could be established to check the auditors. A register of recognised auditors would be helpful as the audit function should be performed by professional auditors. Co-operative societies should not rely upon government auditors but either recruit private auditors or establish their own audit committees. However, government should assist emerging and small co-operatives who cannot afford the high cost of private auditing. The group also stressed the need for managerial audit.

### **Business Advisory Services**

The group saw as a main problem to convince co-operative organisations to seek and accept advice. Advice should not be forced on them. On the contrary, co-operatives should be permitted to seek professional advice anywhere. Where necessary, donor support may be sought to facilitate the process of transition to sustainability.

## **5.6.4 GROUP E: GENERATION OF AND ACCESS TO FINANCIAL RESOURCES**

### **TOPIC: NECESSARY CHANGES OF POLITICAL, ADMINISTRATIVE AND LEGAL CONDITIONS TO FACILITATE CO-OPERATIVE DEVELOPMENT**

#### **Introduction**

The group discussed the above topic in answering the question which political, legal and administrative changes must take place to ensure access to finances for co-operatives. In addition, it discussed changes with respect to donor agencies.

### **Political Changes**

Government should accept as a basis that co-operatives are part of the private world and should ensure their full independence. This means that no undue subsidies are given to organisations working in the same fields as co-operatives. Government subsidised credit, for example, distorts the financial market. The promotion of the private sector by governments must include co-operatives. Marketing Boards have become obsolete in the liberalised era.

It should also accept that co-operatives constitute pressure groups for the economic benefit of their members. Therefore, co-operatives should not ally with political parties. It has often been a tragedy that in the absence of other channels, the population uses co-operatives to express their claims. As a result, some governments consider co-operatives as belonging to the opposition.

### **Legal Changes**

All existing legal stipulations should be reviewed in the light of recent developments. In this process, government should allow effective participation in the formulation of a new legal framework and of by-laws. Members must be educated to be able to define by-laws for their own societies which suit their interests and aims.

The legal context should consider both financial co-operatives as well as financial associations. It is important to regulate them to protect their members. Financial regulations should be adapted to the level of their activities. Financial co-operatives should not only be registered as co-operatives but also get a finance license. Legal provisions should be given to co-operatives to better deal with bad debts.

The group did not reach consensus whether co-operatives should be free of a government license to accept funds from abroad, which could be allowed by national political considerations.

If a co-operative wants to sell assets, which were originally donated by government, it (the government) might still have a veto, but that should be phased out.

### **Administrative Changes**

Administrative procedures should be decentralised as much as possible to enable quick decisions.

Provisions should be made for objective financial auditing services. It would be desirable to have these services within the movement. This seems, however, not in all cases to be realistic as experience has shown that the free selection of auditors has led in some cases to collusion. A pre-condition for cheap auditing is a standardised book-keeping system in primary societies. Book-keeping of credit

unions could be carried out by co-operative or commercial banks. At least annual auditing should be ensured. In India, for example, fines are imposed on board members of non-audited co-operatives. Free government auditing is the exception nowadays but private auditing is quite expensive.

**Changes With Respect to Donor Agencies**

Donor agencies should be transparent for their partners. This partnership should be contractual. Bilateral agreements could serve as umbrella for the collaboration between donors and co-operative organisations.

## 5.7 SUMMARY OF PLENARY DISCUSSIONS

National policies for co-operative development are still missing. In the process of co-operative law making various other laws (e.g. tax law) must be reconciled to avoid conflicts.

Regarding the ICA Principle No. 7 it was argued that responsibility for the community is not a primary responsibility of co-operatives. They should not be understood as "social welfare agents". A change of that principle, however, is most unlikely, as all the principles have been reviewed over a period of more than 8 years and been adopted by the majority of delegates at the Manchester Conference.

Co-operative organisations should operate as business enterprises for survival in competitive markets. No preferential treatment from governments should be expected. The rationale for a preferential treatment, however, is that co-operatives are not primarily profit oriented but work in the interests of their members. That is why tax exemptions are asked for.

The call for political neutrality of co-operative organisations does not mean that co-operatives have no political opinion. On the contrary, lobbying is legitimate and necessary for the co-operative movement to protect the interests of co-operative members.

Co-operative organisations should be encouraged to establish networks in the same regions to share their experiences. Such networks can either be unions and federations at local, regional and national levels or even ICA at the international level.

Training is mostly provided externally by donors/projects. It is proposed to provide training based on thorough needs assessments inside the movements. Training quality must be based on nationally and internationally recognised standards and be carried out in decentralised centres for professionals and members alike.

Audit should be done on the basis of standard accounting systems and be carried out by qualified and competent auditors. Large co-operatives might have their own audit committees.

The need for a national co-operative policy as a basis for every legal change was underlined. In the process of adjustment many co-operatives are forced to sell their assets. It was argued that these assets should be restricted as public goods. Other participants, however, argued that private companies need no government permission to sell their assets and proposed that co-operatives, too, should not ask for any permission.

## **6. DRAFT SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

*Prepared by the  
Drafting Committee*

### **PARTICIPANTS**

Participants came from organisations in the co-operative movement and non-governmental organisations in East, West, South and Central Africa as well as development partners from Europe.

### **OBJECTIVES**

- to support a reorientation of co-operative organisations to effectively serve their members in a changing environment
- to sensitise decision-makers of governments, NGOs and donor organisations on the role and potential of co-operatives in development and in the process of adjustment.

The main topics discussed were:

### **A: ADJUSTMENT PROGRAMMES, TRANSPARENT MARKETS AND CO-OPERATIVES**

#### **a) Analysis of Impact of Structural Adjustment and Necessary Changes**

##### **1. Positive Changes**

- Members receive cash on delivery for their crops, unlike before the SAPs,
- Members have greater choice to markets which means that they are no longer confined to only one market.
- There are possibilities of increased earnings from added value of their produce when processed
- There are now better services and potentials existing as long as competition is at play.
- Liberalised markets have also opened up greater opportunities for the societies.
- Indeed SAP has to some extent provided a better environment for co-operative development through renewed legal instruments which provide a chance for member-oriented co-operatives.

- Co-op unions are able to earn forex and thus empowering them to access equipment and other production facilities for the same.

## **2. *Negative Impact***

- High input prices due to the removal of subsidies formerly provided by the government.
- Pressure on the budgets of the societies and even support institutions has had impact on member education budgets.
- The emerging competition has rendered some of the societies unable to reach their members.
- Member access to credit has been curtailed because of the fact that the societies' business has dropped and the financial institutions have imposed credit ceilings.
- Consumer goods once obtained at a fair price and offered by co-operatives have now increased in price
- Loss of societies' and unions' market share which they controlled during monopoly era.
- Loss of member loyalty due to high competition which lure members out of the co-operative and also due to poor services provided by the societies to the members.
- Loss of tax privileges provided by the government because co-operatives are now considered to be private business.
- SAP has weakened the movement because many societies have been dissolved due to inability to compete.
- Unions have also been forced to retrench some of their staff and hence creating unemployment.
- The need to restructure the organisation which in turn has forced them to sell some of their assets.
- Donor support which used to pour in is now no more forthcoming even when the CUs have reformed.

## **3. *Reactions of Members, Societies and Unions***

- Members were generally unprepared for SAP
- Members have pressed for more attention and better service due to increased competition.

- Members have become more enterprising, because of the open markets
- Societies have restructured their organisations, and reduced cost through retrenchment and disposal of unnecessary assets.
- Societies are striving to become more enterprising
- societies are forced to be more transparent.
- Unions have had to review and redefine their relationship with the state, related institutions and donors.
- Co-op unions have injected additional capital and are improving their lobbying capacities to increase their recognition from government.

#### **4. *Co-operative Movement Goal***

To attain member-oriented movements which is member-based, member-managed and member-controlled.

#### **5. *The Strategies***

- re-structuring of the co-operative institutions so as to be able to meet the new challenge,
- integration of women in co-operatives and pressure to review legal aspects related to customs which suppress women participation,
- encouraging member participation, member education, competitiveness,
- increasing productivity through cost efficiency, diversification of services, collaboration with non-co-operative sectors,
- encouraging the development of savings and credit societies,
- improving internal control and audit of their activities in order to improve transparency and confidence of members.

#### **b) *Political, Legal and Administrative Changes***

##### **1. *Political***

- enhancement of democratic systems of government through freedom of association, expression, and free press
- respect for human rights, accountability, transparency and good governance,
- freedom of movement,
- enforcement of law and order leading to creation of peace and order,

- harmonisation of economic and trade policies and acceptable donor terms.

## **2. *Administrative Changes***

- decentralisation and de-concentration of power and authority from the centre to the lower levels
  - continuity in administration (stable and consistent administrative systems)
  - competence to administer in the free market
  - performance based incentives for the administrators and accountable administration
  - removal of the trade barriers
  - timely, transparent and simplified donor conditionalities.

## **3. *Legal Changes***

Each country should review its co-operative policy and legal framework with participation of the co-operative members. Review of co-operative legislation should take into consideration the existing applicable laws and cultures. At the international level, the conference noted that there should be a constant review on recommendations/policies made by bilateral and multilateral organisations and institutions which have a bearing on co-operative development.

## **B. ADJUSTING CO-OPERATIVE STRUCTURES AND ACTIVITIES TO MEMBER NEEDS.**

### **a) *Impact of Adjustment***

#### **1. *Positive Impact of Adjustment***

- Adjustment has stimulated intellectual and practical thinking and rethinking of the future trends in the co-operative development. For example international conferences, workshops etc.

#### **2. *Negative Impact of Adjustment***

- The existing co-operative structure has been distorted. In a fully liberalised economy the existing tier system has to be reviewed. The primary societies, district unions, national union and apex organisations have found themselves in a situation where they have to play a role previously played by others.
- In order for co-operative organisations to operate efficiently, they have had to review their operational expenses and fixed overhead costs and in the process



some have been forced to dispose of non-performing assets, closure of non-sustaining units, reduction on number of employees.

- No efforts have been made to increase on the quantity of the products to be competed for and since some of the competitors are new in the field, no special attention is paid to the quality of the products and this has contributed to the deterioration of the quality of the products and thus has had a negative effect on the world market price.
- Some co-operative unions had heavily invested in processing facilities, but given the adjustment-policies, there is a risk of under-utilisation since their members are no longer obliged to process their produce at these premises.

### **3. *Reactions of Co-operative Organisations***

It was observed that most of the impacts were actually reactions. Nevertheless the following were also noted to be reactions

- re-assessment of members' needs to ensure that the co-operatives' activities are geared to satisfy them
- resistance to embrace structural adjustment
- lack of reactions and actions.

### **4. *Goals***

- to service members' needs
- empowerment of women at all levels

### **5. *Strategies***

- Groups should initiate formation of co-operatives so that they are internally based rather than imposed.
- There is need for a catalyst to stimulate dialogue necessary for formation of co-operatives.
- It is recommended to improve communication systems between co-operatives and management.
- Democratic processes must be instilled in decision making (participatory decision making).
- Enhance co-operative ownership through awareness training.
- Deliberation and concertation of efforts should happen to increase the participation of women and the youth in the co-operative movement.

## **6. Performance**

Taking all the above said into consideration, co-operatives will have improved operational systems, improved financial disposition and consequently become efficient business organisations and their public image will be good.

### **b) Political, Legal and Administrative Changes**

#### **1. Political**

- Governments should articulate a clear policy which provides for a favourable climate for the development of co-operatives. Such policy should cover the provision of an enabling legal environment, equal treatment of co-operatives with respect to competitors, removal of barriers on operations, access to markets.
- There is need for complete participation by all stakeholders in the formulation of co-operative policy.
- There is need to organise sensitisation meetings for the general public as well as politicians. The Conference recognised the adverse impact experienced by co-operatives because of political interference and prescribed the need to discourage such interference. Apart from the conference's recommendation that co-operatives should maintain a large element and reasonable political neutrality, co-operatives should be free to lobby for their legitimate recognition but should not expect to receive preferential treatment.
- The Conference also encouraged a deliberate advocacy of women participation in co-operatives as well as the youth.
- The Conference also discussed and agreed on the need for regular interaction with collaborating international partners.

#### **2. Administrative Issues**

- In order to provide efficient support services there is a need to streamline government structures responsible for servicing co-operatives.
- In addition, the Conference also prescribed the need for co-operatives themselves to streamline their structures for maximum efficiency.
- Also the Conference discussed the need to provide for women representation in leadership at all levels of the co-operative movement.
- The Conference also recognised the need for networking with collaborating national and international partners in order to improve the effectiveness of the structures

### **3. *Legal Issues***

- Realising that a number of African countries have and are undergoing significant political, social and economic transformation, including structural adjustment, the Conference prescribed the need to urgently review existing legislation to reflecting this new order. Such review should examine, among other issues, the extent to which existing legislation reflects co-operative principles and values, in addition to ensuring that the law has adequate clauses and provisions for encouraging the development of co-operatives. In addition, such review would ensure the removal of legal barriers to entry of new co-operatives where they exist.
- Where legislation is being reviewed, the Conference recommended that such review should attract the participation of all stakeholders, including the involvement of co-operative members
- Once the review process has finished co-operatives should be given the autonomy to formulate their own by-laws which are consistent with the applicable law.

## **C. ORGANISING SUSTAINABLE CO-OPERATIVE TRAINING, COUNSELLING AND AUDITING SERVICES**

### **1. *Auditing Services***

The conference deliberated on the above topic and recommends that:

- Audit function as an important management tool should be performed by professional auditors at least annually,
- Societies should not rely on government auditors but should recruit private auditors; government should assist emerging and small co-operatives who cannot afford the high cost of private auditing,
- Co-operatives should set up their own audit services as in the case of Israel and Germany,
- Management committees and members should be educated on their responsibility for auditing their societies,

### **2. *Business Advisory Services***

- Co-operatives may be given advisory service by Government but this should not be forced on them. However, the service should be of high quality and relevant.

- Co-operatives should be permitted to seek professional advice anywhere; where necessary, donor support may be sought to facilitate the process of transition to sustainability.

### **3. *Training***

- Curricula for co-operative training should be reviewed to market its products to other sectors of the economy, but at the same time maintaining its co-operative inclination.
- Co-operative institutions should have linkages with local higher institutions in order to enhance the image of certificates offered. This may involve a review of actual requirements of trainees. Those who may not have the required entry level but who may be already in the system, could still be given the required training.
- As far as possible co-operative training institutions should move towards a greater autonomy, but governments should continue to support them financially and otherwise as a way of carrying out its primary responsibility of educating its citizens. They should also strive to offer the highest level of training possible e.g. university level.
- 

## **D. GENERATION OF AND ACCESS TO FINANCIAL RESOURCES**

### **1. *Impact of Adjustment Policies***

- Deregulation of interest rates
- Withdrawal of commercial banks from rural areas
- Mushrooming of new co-ops as result of vacuum
- Changes in legal framework take place. Co-ops which render financial services also fall under the banking law and not only the co-op law
- Governments withdraw their financial support to co-op movement

### **2. *Reactions of Co-operative Organisations***

- Move to establish many small co-operatives and other retail financiers.
- In Tanzania a trust fund was set up by using a percentage of the value of products delivered by financiers.

### **3. *Changes of Co-op goals to Ensure Improved Access to Finances***

The following two goals are the only relevant goals:

- Co-ops should be member-driven and should optimise their support to members by either rendering direct service or facilitate access to the service.
- To meet financial responsibilities and requirements
  - adequately
  - timely
  - cost-effectively
  - on a sustainable basis.

### **4. *Changes of Co-op Strategies to Ensure Improved Access to Finances***

The following innovative concepts should be in place in order to ensure improved access to:

- co-operation between credit unions, co-op banks, commercial banks in order to reduce the overhead cost of the retailers and to ensure transfer of skills etc.
- decentralising systems,
- explore the possibility of using traders as outlets of co-ops, banks etc.
- Risk-sharing by retailers, wholesalers and input suppliers. More risk bearers will ensure a more sustainable system. Government is not a good risk bearer
- optimise financial leverage by using the concept of savings first and leverage this capital base with loans,
- reconsider whether interest rates must be prescribed or be left to the retailer and client to find an acceptable level. The retailer must cover the costs. If the customer is not satisfied, the retailer will lose him as a client.
- maximum mobilisation of internal resources:
  - consider non-refundable member deposits
  - institute measures which provide incentives to members to pay back loans in time, e.g. where an interest rate discount is offered for payment in time
  - build capacity of co-ops to ensure optimum size of operations
  - build capacity towards a sustainable structure
  - build capacity to ensure a certain range of activities which lowers the risk
  - effective human resource management and capacity building.

### **5. *Changes of Co-op Structure***

- structure must be built from grassroots level
- number of tiers dependent on efficient support to members. As general rule, minimise number of tiers
- total financial structure should be developed in the country. Any level of isolation won't produce.

### **6. *Gender and Co-ops From Financial Access Point of View***

Problems acknowledged:

- the restricted role of women in the management of retail financiers
- difficulty of women's access to loans from retail banks
- cultural values and traditions.

## **E. POLITICAL, ADMINISTRATIVE AND LEGAL CHANGES AT NATIONAL AND INTERNATIONAL LEVELS**

- Government should accept that co-operatives are part of the private enterprise development agents and not part of the government departments. Full independence.
- Government must not compete with co-operatives but should be facilitator.
- Government must not use its power to take over co-operative financial institutions.
- Some governments consider co-operatives as belonging to political opposition. Co-operatives should not ally with political parties.
- Government must accept that co-operatives constitute pressure representative groups for the economic benefits of their members.
- Government should see that members are consulted when making policy and legislation (member-driven).
- Government should allow effective participation in the formulation of legal framework and by-laws.
- Model by-laws are in many cases taken without amendments. Not all by-laws emerge from within the movements.
- Co-operative member education shall aim at enabling members define by-laws which suit their interest, aims etc.

- The legal framework should consider financial co-operatives and financial associations.
- It is important that they are regulated to protect members. Financial regulations should be adopted to the level of their activities. They must also be licensed.
- Government subsidised credit schemes distort financial markets.
- Government still has a veto when assets are to be sold which originally were given by the government, (phasing out scheme). Government should establish safe guards.
- Provision for objective financial auditing services should be made. It is desirable that it is carried out within the movement, although not in all cases this will be realistic.
- Free election of financial auditors leads in some cases to corruption.
- Pre-condition for cheap auditing: standardised book-keeping in the primary societies, fines imposed on board (management) members who fail to prepare final accounts and get then audited.
- All existing legal stipulations should be reviewed in the light of recent development.
- Legal provision should be made for co-operatives to better deal with bad debts.
- Deregulation: Registrar is to concentrate on identified areas.
- Donor agencies should be transparent for their partners.
- Contracts should be based on equal partnership.
- Bilateral agreement should serve as umbrella for collaboration between donor and co-operative.

The above draft summary, conclusions and recommendations were discussed at length and amended in a plenary session. It was agreed that a preamble should precede the summary, conclusions and recommendations. The Drafting Committee was then asked by the participants to reorganise this version by capturing the major points and present it in a context form (see Point 8: Summary of Presentations and Discussions).

## 7. CLOSING REMARKS

By

*Bernhard William Wolimbwa*

*Chairman of ICA-Regional Assembly for Africa,  
Uganda Co-operative Alliance, Kampala/Uganda*

Mr. Fazzio, ILO Co-operative Branch Chief,

Friends,

We have now come to an end of our Conference, and I am sure you will agree with me that the Conference has been a success.

I would like to immediately thank the DSE, as our hosts in Germany, for arrangements that made this Conference a success. ICA like ILO is also most grateful to the Bavarian Co-operative Movement for the hospitality accorded to all of us.

Friends, Co-operative Development and Structural Adjustment is a burning issue of concern to most of our movements.

The presentations which were made were quite explicit about the magnitude of the issues at hand. As we discuss the implications of structural adjustment, the more we seem to agree that the adjustments offer opportunities to the Co-operative Movements in Africa.

Development is a complex process. When it is positive many people will like to be associated with it. Our governments, for this reason, wanted to be associated with our efforts, because they involved development of nationals. Even our friends in the North they were enthusiastic in helping us, because co-operatives offer an alternative option for development. Now that resources have declined, it becomes imperative that we accordingly adjust and continue to serve our members.

Grueiling four days may not permit me to deliver a speech. Rather, I would like to associate myself with the business conducted here this week. As Vice President responsible for Africa in the ICA Board, my participation has offered me an opportunity to learn more about my constituency.

I would therefore like to thank all those that offer assistance to the African Co-operative Movements. The transition we are going through may be rough and painful. This we can endure when we know that there is hope for the future.



In conclusion, I would like to wish each and everyone of you a safe journey back home.

It is now my honour and privilege to declare this workshop on Co-operative Development and Adjustment in Anglophone Africa, held here in Diessen, Germany, officially closed.

Thank you!

## 8. SUMMARY OF PRESENTATIONS AND DISCUSSIONS

By

*R. W. Bomett*

*on behalf of the Drafting Committee*

### **PREAMBLE**

The International Conference on "Co-operative Development and Adjustment in Anglophone Africa" was held at the Seminar für Führungskräfte at Diessen near Munich, Germany, from June 24 - 28, 1996. The participants were drawn from twelve African countries together with representatives from the Canadian Co-operative Association, Utan Grånser/Swedish Co-operative Centre and the funding organisations ILO, ICA and DSE/ZEL as host. The conference had a number of facilitators and resource persons who presented discussion papers at plenary and group discussions.

Co-operative organisations in Africa are affected in a variety of ways by the impact of liberalisation, privatisation of co-operative support services and de-officialisation in the wake of Structural Adjustment Policies. The economies of many countries are subject to adjustment programmes with major emphasis on market oriented reforms. These measures have meant less government intervention at the market place to allow development of free entrepreneurship skills. However, though desirable, the changes have brought hardship to the poorest strata of the population and the impact on small producers and co-operatives has not always been positive.

Liberalisation, deregulation and privatisation of support services in the wake of adjustment policies have substantially affected co-operatives which have largely been state controlled. Government subsidiaries and monopolies previously given to co-operatives have been drastically reduced or eliminated and co-operatives have to face the challenge of surviving in a competitive market situation. On the other hand, the farmers and urban poor see new needs and opportunities for organised self-help to defend their interests. Consequently, there is increasing mushrooming of new organisations and co-operatives while older structures, which have previously enjoyed state protection through monopolies, subsidies, grants and extension services, are in danger of disintegrating.

It is against this background that the German Foundation for International Development (DSE) in collaboration with the ILO/DANIDA Programmes COOPNET

and COOPREFORM, and the International Co-operative Alliance, organised the Conference to provide a forum for discussing the impact of adjustment in Africa, to elaborate strategies of reorientation for the co-operative movement as well as other actors such as Governments, Non-Governmental Organisations (NGO's), and development partners.

## OBJECTIVES

The Conference was expected to provide dialogue among the participants intended to:

- a) support a re-orientation of co-operative organisations to effectively serve their members in a changing environment;
- b) sensitise decision-makers of Governments, NGO's and development partners on the role and potential of co-operatives in development and in the process of adjustment.

At the conclusion of the Conference the participants were expected to have:

- a) articulated a clear understanding of adjustment policies and their political dimensions,
- b) exchanged experiences concerning the status of adjustment and its impact on co-operative organisations,
- c) analysed current reaction strategies of co-operative organisations in the region and how to cope successfully with the challenges,
- d) defined strategies for future actions concerning
  - internal development of the co-operative organisations
  - Government, NGO, and donor policies concerning suitable framework conditions for co-operative development.

The outcome of the Conference will contribute towards the overall development goal of co-operative self-help in African societies and contribute towards improved standard of living of the poorer strata and the low-income groups of the population. Many Governments have recognised the role of co-operatives in the process of adjustment through the Social Dimension of Development Programmes.

## METHODOLOGY

The Conference was organised in form of a workshop. Major topics were introduced by short key-note addresses followed by moderated working groups and plenary discussions. The proceedings of the Conference have been documented in a photo-report and this summary will be accompanied by a comprehensive report.

## **SUMMARY AND RECOMMENDATIONS**

### **1. Impact of Structural Adjustment on Co-operatives**

Many countries facing economic difficulties and the need of funding from the IMF and the World Bank have had to meet conditionalities that emphasised demand management. The aim was to reduce inflation as well as fiscal and balance of payment deficits. This policy was followed by implementation of a comprehensive adjustment in macro and micro policies to respond to various shocks and to rectify inappropriate policies that have hampered economic performance in order to restore sustainable economic growth. The above policies resulted in reforms in the civil service, removal of subsidies, cost sharing in social programs such as health and education, devaluation of local currencies as a price incentive to exporters, introduction of realistic exchange rates through tight fiscal and monetary policies, liberalisation of trade and other sectoral reforms.

The above reforms have had both positive and negative impacts on co-operatives and their members. The deregulation of interest rates, liberalisation of foreign exchange regimes, and trade have all had impacts on co-operatives. These measures have widened the choice of markets for members leading to increased earnings arising from competition, timely payments, better services and improved opportunities. Movements have had to review their policies toward co-operatives and amend or repeal outdated legal provisions. Co-operative organisations have been enabled to earn foreign exchange and hence have access to importation of production inputs, equipment, etc.

Co-operatives have in the past enjoyed a high degree of protection through monopolies and subsidies. The Adjustment Programme has reduced or abolished these subsidies and introduced competition. These measures have resulted in high costs of inputs, reduced services such as education and training to members and staff, reduced access to credit to both members and societies. Co-operatives have lost their market share which they once controlled under monopoly while state corporations which acted as buyer of last resort have been privatised or abolished. Tax privileges previously enjoyed by co-operatives have been reduced if not abolished. These negative effects have weakened the movement to the extent that members loyalty is at stake. Co-operatives have been forced to restructure and to sell some of their assets in order to meet their obligations to members and creditors, especially with dwindling support from governments and donors alike.

### **2. Strategies**

In order to create economically viable co-operative movements which are responsive to member needs in accordance with internationally accepted co-operative

principles, co-operatives have had to adjust to meet the challenges of the new environment. The co-operatives have seen the need to review the existing structures, personnel policies, including retrenchment of excess staff where necessary, introduce more transparent transactions, redefine their relationships with the state, related institutions and donors. The need for increased capital and new economic ventures in order to service the members better have become desirable. The need to mobilise local savings and credit societies has been recognised as an essential step in raising cheap capital rather than rely on commercial banks which are withdrawing services from rural areas not attractive enough for their business.

### **3. Recommendations**

- Each country should strive towards enhancement of a democratic system of Government based on respect for human rights, rule of law, accountability, transparency and good governance. These encompass the freedom of speech and expression, freedom of association and free press.
- Each country should review its policy towards co-operatives and the existing laws with full involvement and participation of co-operative members. Co-operative legislation should take into account existing applicable laws and prevailing cultures and should as much as possible strive to remove laws which inhibit the integration of women and youth into the mainstream of co-operative endeavour.
- On the international scene the Conference recommended a constant review of recommendations/policies on co-operatives by organisations and institutions or by the bilateral and multilateral donors and development partners. It was recommended that donor conditionalities, where they exist or are deemed necessary, should be transparent and simple enough to be understood by the recipient partner.
- Governments should decentralise and de-concentrate their power and authority towards co-operatives from the centre to the local level for ease of administration and supervision.
- It was recognised that it was the responsibility of government to create a conducive environment for a free market if co-operatives are to survive in a liberalised market environment. This calls for harmonisation of economic and trade policies.
- The Conference recognised the adverse impact experienced by co-operatives arising from political interference and recommends that co-operatives should maintain an element of political neutrality but be free to lobby for their legitimate recognition, but should not expect to receive preferential treatment.

- The Conference acknowledged the need for regular interaction with collaborating international partners.
- The Conference recognised the audit function as an essential management tool. It should be carried out by professional qualified audit firms annually. Government should continue to assist emerging and small co-operatives which cannot afford the high cost of private auditing. Where possible co-operatives should set up their own audit firms or recruit private auditors to provide audit services. Management committees should be educated to understand their responsibility for auditing of their societies.
- Co-operative training institutions should move towards greater autonomy, however, government should continue financial support. Such institutions should remain centres of excellence in co-operative education and should strive to offer highest level of training including university education.
- Co-operative training institutions should have linkages with local institutions of higher learning with similar curricula and internationally maintain networking for purposes of exchange of lecturers, training materials and collaborative research.

## **CONCLUSION**

The Conference participants commit themselves to the implementation of the recommendations of the Conference and urge the governments in the continent to create favourable conditions in which member-driven, self reliant co-operative movements can thrive and contribute towards enhancement of the quality of life of its members and citizens in general.

## ANNEXES

### I. PROGRAMME OF THE INTERNATIONAL CONFERENCE

#### SUNDAY, JUNE 23

	Arrival of Participants
16.30	Tea / coffee (Dining Hall)
17.00	Guided walk around Diessen (if the weather is fine)
18.00	<b>Registration of Participants</b>
18.30	Dinner
19.30	<b>Technical Information / Introduction to DSE / Introduction of Participants on Cards</b>

#### MONDAY, JUNE 24

##### OPENING SESSION

Chairperson: *Dr. C. Musumali*

09.00	<b>Welcome Addresses:</b>
	- <i>Dr. E. Krüsken, Director, DSE/ZEL</i>
	- <i>Dr. Folz, President of the Board of Directors of the Bavarian Co-operative Federation</i>
	- <i>Mr. Kirsch, Mayor of Diessen</i>
	- <i>Dr. Weidinger, Representative of the Bavarian Ministry of Food, Agriculture and Forestry</i>
	- <i>Mr. Jan-Eirik Imbsen, HRD Director, ICA</i>
	- <i>Mr. J. Fazzio, Chief, ILO/Co-operative Branch</i>
10.15	Group Photo
	Coffee/Tea Break
10.45	<b>Personal Introduction of Participants</b>
11.15	<b>Introduction of Objectives, Expectations, Programme and Methodology of the Conference</b>
	<i>A. Kückelhaus, Ch. Gachanja and B. Harms</i>

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11.45 **Election of Drafting Committee and Steering  
Committee Members**

12.30 Lunch Break

**TOPIC I: CO-OPERATIVE DEVELOPMENT AND  
ADJUSTMENT POLICIES**

Chairperson: *Mr. Buachie-Aphram*

14.30 **"Adjustment Policies in Africa: Concept,  
Implementation and Impact"**

*Dr. Cosmas M. Musumali, Social Recovery Project -  
NCDP Lusaka, Zambia*

15.15 **"Effects of Adjustment on Co-operatives"**

*J. Schwetmann, ILO*

16.00 Coffee/Tea Break

16.30 - 18.00 **Summary Presentation / Discussion of Country Case  
Studies on Co-operatives and Adjustment:**

**"Co-operative Adjustment in a Changing  
Environment: The Zambia Experience"**

*G. Sibale, Zambia Co-operative Federation*

**"Co-operatives under Reform in Kenya"**

*Paul Kere, Kenya National Federation of Co-operatives*

**"Co-operatives under Reform in Tanzania "**

*Presley Tarimo, Co-operative College Moshi, Tanzania*

**"The Impact of Economic Structural Adjustment on  
Co-operatives In Zimbabwe"**

*Albert Vingwe, Chitsvachirimurutsoka Farm Co-op. Ltd.,  
Zimbabwe*

18.30 Welcome Reception, Dinner

Informal Get-together



**TUESDAY, JUNE 25**

**TOPIC II: REORIENTATION OF CO-OPERATIVE ORGANISATIONS: Role, Potential and Constraints of Co-operatives**

Chairperson: *Mrs. Ngirane-Katashaya*

- 09.00 **Summary of Discussions of the Previous Day** and  
**A view from Germany:** *Prof. Dr. H.-H. Münkner, University of Marburg*
- 10.00 **A view from Africa:** *S. Chambo, Principal, Co-operative College Moshi*
- 11.00 Coffee/Tea Break
- 11.30 **"The Co-operative Audit System in Germany"**  
*Dr. Paul Armbruster, German Co-operative and Raiffeisen Federation, Bonn*
- 12.00 **Introduction to Working Groups**
- A: SAP, transparent markets and co-operatives**
- B: Adjusting co-operative structures and activities to member needs**
- D: Organising sustainable co-operative training, counselling and auditing services**
- E: Generation of and access to financial resources**
- 12.30 Lunch Break
- 14.00 **Working Groups on Topic II:**
- Country Case Studies and Discussions:**
- Case study presenters:*
- Group A: Leonard Msemakweli, Jacob Ofori-Kuragu, Haile Gebre*
- Group B: Harriet Mabonga Wanyoto, Louis Mazuba, Nicholas Shoko*
- Group D: Ronald Gwebu, Mark Levin, Nonhlanhla Kunene*
- Group E: Murray Gardiner*

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**Analysis of impacts of adjustment, reactions of co-operative organisations, and necessary changes of co-op goals, strategies, structure and performance**

15.30 Coffee/Tea Break

16.00 **Continuation of Working Groups on Topic II**

18.00 Departure for a Visit to the Monastery of Andechs (including Dinner)

21.00 Return to Diessen

### **WEDNESDAY, JUNE 26**

08.00 **Presentation of Working Group Results**

10.00 Coffee/Tea Break

#### **TOPIC III: CREATION OF FAVOURABLE FRAMEWORK CONDITIONS FOR CO-OPERATIVE DEVELOPMENT**

Chairperson: *Mr. Chambo*

10.30 **"Report of the Ministerial Conference in Mauritius"**

*V. Lubasi, Director, Regional Office, ICA, Moshi*

11.15 **"Ghana Co-operatives and Structural Adjustment"**

*R. Buachie-Aphram, Registrar of Co-operative Societies, Ghana Government*

12.00 **"A New Approach to Co-operative Development Co-operation"**

*K. J. Fogelström, Director of Development, Swedish Co-operative Centre*

12.30 Lunch Break

13.30 **Working Groups on Topic III:**

**Country Case Studies and Discussions**

*Case study presenter:*

*Group A: Hagen Henry*

15.00 Coffee/Tea Break

15.30 **Necessary changes of political, administrative and legal conditions to facilitate co-operative development**

19.00 Dinner

**THURSDAY, JUNE 27**

09.00	<b>Presentation of Working Group Results</b> Chairperson: <i>Mr. Buachie-Aphram</i>
10.30	Coffee/Tea Break
11.00	<b>Continuation of the Presentation</b>
11.30	<b><u>Drafting Committee only:</u> Elaboration of Re-commendations based on Group Work Results</b> <b><u>For the Other Participants:</u> "Open Forum"</b> <b>"Structural Adjustment and Co-operatives - Lessons from Asia"</b> <i>K. Taimni, Regional Co-ordinator ILO-COOPNET for Asia and the Pacific</i>
12.30	Lunch Break
14.30	Free
15.30	Coffee/Tea Break
16.00 - 17.00	<b>Evaluation</b> Chairperson: <i>Mr. Chambo</i>
17.00	<b>Presentation and Discussion of the Draft Recommendations</b>
18.00	<b>Closing Remarks:</b> - <i>K. Kohlbach, DSE</i> - <i>J. Fazzio, ILO</i> - <i>F. Mwesigye, Uganda</i> - <i>R. Gwebu, Zimbabwe</i> - <i>B. Wolimbwa, ICA</i>
18.30	Cocktail
19.00	Farewell Dinner
20.15	Departure for Cultural Programme (Bavarian Evening) at Riederau
around 23.00	Return to Diessen

**FRIDAY, JUNE 28**

- 08.00                    **Continuation of the Discussion of the Draft Recommendations**  
Chairperson: *Mr. Chambo*
- PROFESSIONAL INFORMATION / EXCURSIONS TO SELF-HELP ORGANISATIONS IN RURAL BAVARIA**
- 09.30                    **Introduction to Bavarian Co-operative Movement**  
*Mr. Seitz, Member of the Board of Directors, Co-operative Federation of Bavaria*
- 09.45                    Information / Excursions in 4 parallel groups:
1. **Co-operative Audit in Bavaria** (*Mr. Seitz*)
  2. **Raiffeisen Bank at Pähl**
  3. **Raiffeisen Bank at Erling / Andechs**
  4. **Maschinenring at Rothenfeld** (joint use of farm equipment)
- 12.00                    **Visit to DSE/ZEL (Food and Agriculture Development Centre) at Feldafing**
- 12.30                    Lunch at DSE-ZEL
- 13.30                    Departure from Feldafing to Munich
- Afternoon              Possibilities for Shopping in Munich (optional)
- 19.30                    Guided City Tour By Bus in Munich (optional)

**SATURDAY, JUNE 29**

**Optional Activities / Departures**

**SUNDAY, JUNE 30**

**Optional Activities / Departures**

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### III. RESULTS OF THE EVALUATION

#### EVALUATION QUESTIONNAIRE

##### 1. OUTCOME OF THE CONFERENCE

1.1. To what extent was the expected outcome of the conference achieved:

a) a clear **understanding** of adjustment policies and their political dimension

high	rather high	medium	rather low	low
24	17	3		

b) an **exchange of experiences** among the participants concerning the status of adjustment and its impact on co-operative organisations

high	rather high	medium	rather low	low
25	15	4		

c) an **analysis** of current reaction strategies of co-operative organisations in the region, including examples of how to cope successfully with these challenges

high	rather high	medium	rather low	low
9	22	10	3	

d) the definition of **strategies** for future actions concerning:

- **internal development of co-operative organisations**

high	rather high	medium	rather low	low
7	17	17	2	1

- **government, NGO and donor policies concerning suitable framework conditions for co-operative development**

high	rather high	medium	rather low	low
7	18	16	1	2

**1.2. My own expectations were satisfied/not satisfied, because:**

satisfied: (40)	reasons/comments:
1)	---
2)	We got the expected recommendations.
3)	Co-operative organisations now know that they are there for the co-op members, not for themselves like companies
4)	---
5)	Expected results have been achieved.
6)	It was a very open discussion.
7)	There was adequate time to address issues.
8)	---
9)	Adequate experience was fully shared between participants
10)	---
11)	I learnt a lot about experiences elsewhere in re-orienting coops in Africa.
13)	of exchange of experiences from other countries.
14)	I was able to understand better how co-ops can adjust to SAP
15)	As dealing with co-ops at Government Level. Confusion of SAP on Co-ops was cleared.
16)	The number, diversity and quality of national experiences.
17)	Considering where we are in this process, this is as much as we could expect.
18)	The seminar brought into clear focus the problems SAPs are causing to Co-ops and new opportunities for Co-ops too.
19)	Most topics were discussed adequately though not enough time was available.
20)	---
21)	I was enabled to appreciate the repercussions of SAPs in Africa.
22)	Various papers and discussions on different experiences from other countries.
23)	1. I learnt what is happening in other African countries. 2. Much better understanding of role of Co-op movement in developing countries. 3. Much better understanding of problems experienced by Co-ops.
24)	I heard and learnt much about co-operatives which I didn't know before, esp. on environment in which co-ops operate.
25)	---
26)	---

(...)

28)	Anglophone African Countries had the opportunity to analyse SAP + Coops as a block of countries.
29)	---
30)	The conference dealt at length on measures necessary to combat the adverse effects of SAPs on Co-operatives.
32)	The seminar contributed to increased understanding of the necessity of change and adjustment.
33)	I had to learn about SAP the first time since we are not yet in this programme.
34)	Competence of facilitators and interest and enthusiasm of participants, not forgetting materials.
35)	I did not expect more than an exchange of experiences.
36)	We discussed and shared experiences in the different countries.
38)	The conference realised the important role of the Government in the Co-operative development and the need to modify the current regulatory nature to that of facilitatory
39)	The conference topic was thoroughly discussed. First class analysis and appraisal.
40)	I have gained experiences faced practically by others and that the SAP have affected us equally
41)	Exchange of experiences in adjustment from various developing countries on the Continent.
42)	The importance of access to finance for co-operative development has been adequately dealt with.
43)	All I needed to know was fully discussed.
44)	One could notice a growing acceptance of SAP objectives + strategies, and a growing willingness of coop organisations to adapt to the new environment.

<b>not satisfied: (5)</b>	<b>reasons/comments:</b>
12)	Delegates often missed the topic under discussion. No concrete workable strategies emerged.
27)	Not enough time was given to address the practical situation/experience in co-ops.
31)	We came a long way level but did not fully finalise the process.
32)	More time required for analysis and definition of strategies, internal as well as external.
37)	The harmonisation of Co-operatives (registered and Co-op laws) and associations (unregistered or informal or registered elsewhere) was not adequately discussed.

(...)

## 2. PLENARY SESSIONS

Have any important topics been left out of the plenary sessions?

Yes: (6)	Which ones?
16)	Gender integration in Co-operatives
25)	Training, competence....towards the idea of change - how to change?
30)	Not much attention was put toward discussing the current poor image of Co-ops as a strategy for future actions.
36)	Actions to be taken in the transitional stages.
39)	Lack of discussion of the role the youth should play in co-operatives. They fall in the same category as women. They are the future leaders.
40)	The analysis of the impact of SAP on the social sphere of the members of co-operatives.

No: (35)	Comments:
17)	The final statement will hopefully spell out strategies.
20)	Not enough on the international dimension.
23)	More <u>details</u> on the exact role of co-ops in rural development and more <u>detailed</u> solutions for solving the problems.
27)	Gender and Development
32)	But more time to thoroughly penetrate issues would have been required.
38)	But I feel session should have been given to the treatment and preparation of pre-co-operative institutions

## 3. WORKING GROUP SESSIONS

3.1 I was satisfied/not satisfied with the exchange of experiences in the working group sessions, because

satisfied: (41)	reasons/comments:
1)	Composition was voluntary with clear knowledge of who to exchange experience with.
2)	Everybody participated in my group.
3)	Free interaction and consensus reached in issues discussed: examples of real situations given.
4)	of participation

(...)

5)	There was a warm discussion and sharing of experiences of the different participants' countries.
6)	The topic was very relevant to the existing situation in my country.
9)	The discussions were flexible and professional.
10)	The participants in the groups had deep experiences about their countries which they shared freely.
11)	We had time to discuss all the ideas and I learnt so many things in the process.
12)	Because of the chairpersons elected. It is better if one of you would chair and guide these discussions. Otherwise they might become long and unfocused.
13)	All members of the team endeavoured to participate freely and frankly in sharing their experiences.
14)	We were able to openly discuss and share experiences and ideas.
15)	Where the Co-op movement is very weak, SAP seem to offer alternative chances for dev. without government interference.
16)	Of the methodology utilised and the results achieved.
17)	Of the high level of participation.
18)	Highlighted the details of our differences and common problems in Africa for Co-ops and their environment.
21)	All participants were able to express their views in smaller groups unlike in the big group.
22)	Subjects or topics were covered, explained and discussed in depth. This included case studies.
23)	I was partly satisfied.
26)	The participants were so professional and practical with their inputs.
27)	I had an opportunity to share my experience with others.
28)	Participants genuinely exchanged their own country experiences, problems and successes.
29)	The stimulated unrestrained exchange of ideas and experience.
30)	The topics were well chosen and largely reflected the problems currently facing Co-operatives.
31)	Satisfied/not satisfied - both - The chairman selection made one group session successful, while one was not successful.
32)	Good interaction but more, better structured discussions would have been desirable.
33)	There was ample time allocated for this session.
34)	Of the interest, enthusiasm and frankness of group members.
36)	Topics were discussed extensively in the groups and later shared in the plenary.
37)	All seemed involved and therefore experiences shared in the process.
38)	Participants were frank in exchanging views on their experiences.

(...)

39)	Each participant endeavoured to put his/her experience at the disposal of colleagues.
40)	Issues were discussed in the depth and openly.
41)	Presentation illustrated by case studies.
42)	They were rich, varied and represented a wealth of experience. They have helped to broaden my understanding of the issues.
43)	Discussions were detailed and didactic and very useful.
44)	Very open discussions, many new points and ideas

<b>not satisfied: (3)</b>	<b>reasons/comments:</b>
7)	Some participants were not very active.
19)	It was not mandatory for participants to give their experiences.
35)	1. Very poor chairman for half the time. 2. The card system inhibits free interchange.

### 3.2 I was satisfied/not satisfied with the plenary sessions alternating with the working group sessions, because

<b>satisfied: (43)</b>	<b>reasons/comments:</b>
1)	---
2)	Of the orientations of debate
3)	Time was given to exhaust topics.
4)	---
5)	----
6)	Of the methodology of approach we were using.
7)	There was openness in discussing issues.
8)	---
9)	Group recommendations were fine-tuned by plenary.
10)	It ensured that enthusiasm was maintained and this enabled us to pick as much as possible from all sessions and discussions.
11)	It gave every person an opportunity to participate fully.
12)	Gave a chance for discussion of topic.
13)	It enabled participants who were unable to share their experiences in the plenary session to do so in working groups.
14)	It gave us time to fully discuss topics.

(...)

15)	It gave enough time for maximum participation in inputs and outputs.
16)	The relevance of topics of the working group sessions to the general topic of the conference.
17)	It was logical.
18)	It compacted the issues and assisted in clarification and explanations where required.
19)	They provided continuity. However, not enough time was available for exhaustive discussions.
20)	---
21)	Areas which were not clear in plenaries were further explained in the groups.
22)	More participation
23)	---
24)	---
25)	---
27)	Contribution was presented
28)	It provided a framework for reflection and analysis of Co-op problems.
29)	They served to expound and <u>refine</u> the ideas and experiences generated by the working group. The overall effect was most satisfying.
30)	It allowed time for active discussions in the working groups and listening to presentations in the plenary.
31)	Of the change of tempo, although time management sometimes could have been more efficient.
32)	Well planned and managed.
33)	Points that were overlooked in the group were clearly articulated.
34)	That gave fresh ideas for each other.
35)	A lot of information was presented.
36)	A lot of issues were covered satisfactorily within a short-time
37)	Kept spirit high.
38)	The changing of the rooms enhanced concentration in both plenary and working group sessions.
39)	Papers discussed at the working groups drew their basis from the plenary sessions.
40)	Each one of us could express feelings and relate experiences. The only unfortunate thing is that some participants would not communicate.
41)	Open and honest discussion.
42)	They helped to introduce and discuss the broad issues of the different topics.
43)	Discussion were detailed and didactic and very useful.
44)	More time should have been devoted to working sessions, less to presentation in the plenary.

not satisfied: (2)	reasons/comments:
26)	More exposures during group discussion necessitated in-depth understanding.
40)	The only unfortunate thing is that some participants could not communicate.

#### 4. METHODOLOGY

The methodology applied during the Conference was:	
1)	good
2)	very good
3)	Okay
4)	OK
5)	A participatory approach
6)	Very good
7)	Effective as there was a lot of illustration.
8)	Appropriate
9)	Participatory
10)	Flexible, professional and participatory
11)	Very good. I like arrangement of topics. The visual approach with cards and time allocation.
12)	Logical and understandable
13)	Good
14)	Very, very helpful since it was participatory.
15)	Satisfactory
16)	Appropriate and efficiency
17)	Very good and appropriate
18)	Excellent. I need the pin boards for the use of my organisation!
19)	Good
20)	Excellent but slow at times
21)	The correct one because everyone was involved in the discussions at all levels.
22)	Good because of involvement of participants most of the time
23)	Very good
24)	Good
25)	Very good
26)	OK
27)	Appropriate and professional

(...)



28)	Excellent because it was participatory, flexible but intensive subjects covered
29)	Pragmatic, innovative and most effective
30)	Excellent
31)	Professionally selected and implemented with genuine foundation
32)	Excellent
33)	Excellent
34)	Excellent
35)	Generally successful although the card system sometimes inhibits discussion and the free flow of ideas
36)	Good. Every participant was able to contribute in one way or other.
37)	Excellent
38)	Excellent especially the way that oral presentation was mixed with pictorial cards which made understanding easier.
39)	Excellent, particularly the pictorial use of cards
40)	Open, kind of participatory
41)	Satisfactory. Facilitators know well and experienced in their areas of participation
42)	Highly participatory. The use of the boards and stickers helped to focus on main points
43)	Quite in order
44)	Excellent

## 5. PERSPECTIVES FOR MY OWN WORK

<b>In my current work and activities I will use the experience and knowledge gained in the following was:</b>	
1)	Provide guidance to the national movement
2)	For my advisory activities in Africa.
3)	Collaboration with government and co-operative organisations to review activities and roles
4)	---
5)	By trying to convince the inevitability of SAP and act accordingly
6)	By organising my workshops, seminar and training.
7)	Holding workshops to discuss possible ways of implementing the recommendations.
8)	Hold same type of conference in the country
9)	Recommend the reshaping of the co-op movement for the better

(...)

10)	In developing the curriculum and in networking with other co-op institutions for training.
11)	I am going to use the knowledge to advise co-op leaders, members and managers how to keep changing.
12)	The importance of not intervening from government side. Co-ops should be member-driven or they should die, cannot be spoon-fed.
13)	Using some of the techniques learned to conduct the organisation's next co-operative convention.
14)	I am going to pass on all I learned to my trainers to adopt.
15)	1. Advise government on co-op policy in view of global economic changes, e. g. SAP. 2. Advise government on appropriate co-op law reform in the view of SAP as affecting coop. dev.
16)	To adjust my own work and to help co-operatives to find the ways and the means to adjust themselves.
17)	Apply the knowledge gained in my work with coop. development in the region.
18)	Use matinal presentation in the format used, because I believe it is dramatic and therefore stays in the memory much more.
19)	To advise the concerned (movement) to adjust from their current position to equal the challenges.
20)	Reshape own concepts
21)	To further examine the repercussions of structural adjustment so that we can anticipate changes and accommodate them.
22)	Organise some sensitisation workshop for top Govt. managers
23)	The new knowledge will help me to assist co-ops. better and will help me to assist co-ops with their restructuring to ensure financial viability.
24)	I will use the papers presented as inputs in the formulation of our country co-operative policy and legislation.
25)	---
26)	Spread awareness to our co-operators as to what is happening in other countries especially those related to our own problems.
27)	Adapt to current economic reform programmes
28)	1) I will make presentation of output of conference to my colleagues 2) Plan sensitisation workshops on SAPs to co-ops
29)	In providing advisory services and support to co-operative organisations and institutions on how to organise and cope with adjustments
30)	Use the participative approach of discussion adopted by this conference including the use of cards as a means of recording ideas.
31)	..for future programmes and implementation
32)	I got valuable documentation and new contacts which will be useful in the future
33)	In mounting relevant and need oriented training programmes in order to be in line with SAP even though it has not yet been imposed on us.

34)	to promote the development of my association and the movement in Ghana
35)	1) Networking 2) As a basis for developing future development co-operation activities
36)	To advise fellow co-operators on the right course of action for the survival of the co-op movement
37)	1) bring awareness of structural adjustments so that when it comes they do not get a shock, 2) adjustments will start immediately.
38)	In the preparation of the formulation of co-op development policy and legislation
39)	1) How to make my college respond to the challenges of adjustment 2) How to generate extra finance to supplement whatever Government would give.
40)	Inform the students/public of the current situation on the topic as it touches our local situations
41)	Review of co-operative policies and legal framework.
42)	To build the women's groups I work with into stronger co-operatives; to help revive the movement
43)	impress co-ops to adjust or face extinction
44)	1) finalisation of the manual on co-operative policy 2) preparation of a check-list on co-operative law 3) third edition of "SAP and co-operatives"

## 6. CONFERENCE FACILITIES

### 6.1. How adequate were the lodging arrangements?

good	rather good	medium	rather bad	bad
19	15	10		

### 6.2. How adequate were the food arrangements?

good	rather good	medium	rather bad	bad
28	13	3		

### 6.3. How adequate were the secretarial and other supporting services?

good	rather good	medium	rather bad	bad
34	9	1		

**7. IF I WERE TO ORGANISE THE CONFERENCE, I WOULD IMPROVE THE FOLLOWING:**

1)	---
2)	Duration
3)	Organise the excursions first before the conference ends
4)	Quality of papers/structure of workshop
5)	---
6)	I would have invited less participants
7)	none
8)	- increase number of female participants - make working groups smaller - allow more informal interactions among participants
9)	Per diem (too little)
10)	I was satisfied so I would do it the same
11)	Accommodation
12)	Keep or make an effort to keep discussions to the topic
13)	1) Accommodation 2) Food
14)	At least toilet to be in the same room and also bath and not only shower
15)	Funds permitting I would make it 2 weeks duration in order to explore more.
16)	Keeping all the participants in the same place (Hotel)
17)	I am sure I could not do better. This was very good indeed
18)	I am unable to think of any possible improvement that I would make.
19)	Allocate more time for discussions so as to have more meaningful conclusions.
20)	---
21)	I was satisfied with the arrangements which were put in place for the success of the seminar.
22)	---
23)	---
24)	On the variety of the foods offered at one meal, taking into consideration the diversity of participants.
25)	---
26)	Lodging arrangements
27)	The secretariat to write reports of our deliberations

28)	When drafting committee is meeting, country groups should also meet and prepare statements of commitment to the generally agreed issues for implementation
29)	I can't think of any improvement....Well, unless of course, you could improve on the weather.....which I doubt
30)	I would organise the conference where there are fully-fledged social services including an organised bar
31)	Nothing to change. Your org./management was very efficient and executed in a very friendly, flexible way
32)	Fewer issues, more depth
33)	Everything was well organised
34)	Increase duration to make for covering wider grounds
35)	Assume the participants understand the adjustment process and emphasise more in-depth searching for "self-adjustment" strategies including personal action statements and commitments
36)	Lodging arrangements. The rooms should be self contained -.Toilet and bathroom within the room and the bed linens should be changed regularly
37)	Nothing
38)	The need for providing transport facilities for those staying in the hotel especially during drizzling of rain
39)	1) To rope in more participants. 2) To give slightly higher allowance 3) To insist that each participant submits a paper
40)	That the participants stay in one block for communication purposes
41)	---
42)	Increase participation of women
43)	---
44)	Nothing to improve. One sometimes had the impression that <u>too much</u> care was taken to organise the event

**8. PLEASE FEEL FREE TO ADD ANY OTHER COMMENTS, SUGGESTIONS ETC. YOU MIGHT HAVE:**

1)	---
2)	---
3)	
4)	It could have been better structured, better prepared and better supported technically
5)	---
6)	---

7)	None
8)	---
9)	Otherwise - well done and keep it up
10)	---
11)	---
12)	Please thank ladies in the kitchen, they were great
13)	The conference was rather crammed. Probably an <u>additional</u> three days or so would have been OK to cover topics
14)	Please keep it up and also make some follow-ups as this conference is very, very important
15)	---
16)	It will be more positive if the target groups were from French, English and Lusophone countries
17)	Keep in mind how to follow this up. That is the most important part
18)	Should there be another occasion to warrant the organisation of such a seminar, please do it in Africa (if it is economically feasible to do so!)
19)	There should also be time allocated for touristic interests as some participants are visiting for the first time
20)	---
21)	It would be good if a follow-up seminar could be organised after some time so that an evaluation can be made of this seminar
22)	---
23)	I see this as an effort from DSE to build capacity in Africa. It is highly appreciated. Some follow-up/networking of some kind is very important. I also accept that the initiative must also come from Africa
24)	I was impressed with the way the organisers were organised to the detail. Keep it up
25)	---

26)	---
27)	Conference gathered a vast ethnically diversified co-operative experience
28)	I was frustrated when my colleagues were pressing for time to watch football than going into more discussion on Wednesday evening
29)	Well done
30)	Key conference papers should be sent in advance, where possible
31)	<u>Deutsche Centre for Excellence?</u> DSE
32)	Important to organise an opportunity and a forum for Anglophone African Co-op actors to meet and interact. One would hope the organising organisations would not consider this as an isolated occasion but rather as one important step in a series of opportunities (part of a process)

33)	The DSE should continue to support and organise such conferences. Should continue this partnership with ILO-COOPNET, COOPREFORM, ICA in identifying crucial and relevant topics which could be brought in such forums. Continued financial support to Coops in Anglophone Africa
34)	Invitations to come earlier to make up more adequate preparations
35)	Thank you very much for the opportunity to get to know the DSE and to interact with participants.
36)	Variety of dishes should be provided rather than just one type of food at a meal to cater for the different tastes.
37)	Co-operative activities and that of donors should be revisited to remove the long existing paternalistic syndrome displayed by donors (carrot dangling). This caused a shift of potential members from existing organisations, because donors have more and when donors go, they (members)go back to zero
38)	---
39)	The diversity of the different cultures of participants should have been put to good use. A cultural night of participants covered by TV would have enriched the homes of Germans.
40)	This was a hell good, well organised conference I have attended lately. Thank you so much. Keep it up in your programmes
41)	The organisers should give certificates of participation to participants for record purposes.
42)	The absence of concrete action recommendations is a deficiency which will make follow-up more difficult
43)	In future rapporteurs of groups to form drafting committee
44)	In future one might think of distributing working papers etc. on a floppy-disk in ASCII-format. That would save a lot of paper and reduce weight.

## **IV. PAPERS DISTRIBUTED BUT NOT EXPLICITLY PRESENTED IN WORKING GROUPS**

### **IV.1 THE GHANA CO-OPERATIVE BANK, ITS RESTRUCTURING & EFFECTS**

*By*

*Thomas Andoh*

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Accra/Ghana*

#### **1. THE CO-OPERATIVE BANK - HISTORICAL BACKGROUND**

##### **a) Formation**

Co-operatives are business organisations **sui generis** and therefore need a financial institution whose operations are tailored to their specific needs. The need to have a co-operative bank as a development financial institution was recognised as far back as 1946 when the Gold Coast Co-operative Bank was formed to provide financial support to the marketing co-operatives which had taken the initiative for the formation of the Bank.

The Gold Coast Cocoa Marketing Association had during the colonial period distinguished itself and won the accolade as the best organised indigenous commercial organisation in Sub-Saharan Africa managed by locals and exporting some 30% of the country's cocoa crop in competition to expatriate multinational organisations.

The success chalked by the cocoa societies was due largely to the support they received from their own Co-operative Bank. The Bank functioned all right but for reasons which will be explained later, it was liquidated by the Convention Peoples' Government of Kwame Nkrumah in 1960.

##### **b) Liquidation in 1960**

The Government of the CPP wanted to bend the co-operatives to make them tow their line but the co-operatives stuck to their ideology of "religious and political neutrality". In no time they were branded as opposition forces. They were given a bad name and in due time they were hanged. The Co-operative Bank did not suffer this fate alone. The whole movement was virtually destroyed just for the sake of



political expediency. In place of the classical movement was introduced a new one the "United Ghana Farmers Council Co-operatives" which became more or less an organ of ruling party. This singular act of liquidation of viable societies has had a negative effect on our movement. To this day some African governments refuse to support worthy co-operative causes knowing very well that if they support them to be economically viable, they will give covert support to the opposition. Sight should not be lost of the fact that the co-operative structure is a well organised non political structure with the widest coverage in terms of both membership and space, something which could be exploited to gain political advantage.

## 2.

### a) **Re-establishment in 1994 and subsequent problems**

When the CPP Government was overthrown, favourable conditions were created for the return of the old co-operative societies. In 1974 they were able to raise a paltry sum of just over ₵100,000 (about 50,000 US \$) to register a new Bank. The equity capital of the new Bank was just meagre. The staff appointed to start the Bank lacked requisite qualification and the branches were far too many. Supervision of the branches was virtually non existent. Liquidity problems existed here and there and the top management suspect and underwent frequent changes. The problems were compounded by lack of confidence by the public in the Bank. The bank which at the time had 89 branches, most of which were not viable, was heading towards total collapse by the mid-80's.

### b) **The Appiah Committee**

The Government of the Provisional National Defence Council appointed a Committee headed by Dr. A. K. Appiah, an eminent economist; who later became its Managing Director, to see how the Bank could be turned around and salvaged.

The Committee recommended that qualified staff should be recruited and new shares floated to improve the financial base of the Bank, but the image of the bank had sunk so low that only ₵135 million out of the targeted ₵500 million could be realised.

## 3.

### a) **Re-registration of the Co-operative Bank under the Companies Code**

By 1992 it had become very clear that if the Central Bank did not intervene the Co-operative Bank would fold up. The then Managing Director, bragging of connections in top circles, would grant loans beyond his limit without the consent of the Board of Directors. This behaviour had a telling effect on the liquidity of the Bank. In the wake

of this the co-operators asked the Central Bank to conduct an investigation into the operations of the Bank. The Bank was closed down on the 30th June, 1992, but when it was re-opened for business on the 16 July, it was discovered that it had been re-registered as a limited company under the companies code. This was done without any memorandum of understanding on the procedure for Government to divest its interest in the Bank. The absence of any procedural arrangement led the co-operatives to institute the "Co-operative Bank versus the Co-operative Bank" suit to seek relieves for the wrongful take-over of the Bank by the Bank of Ghana, the Social Security and National Insurance Trust and the State Insurance Company. This suit has still not been determined.

#### **b) Effect of Re-registration and Restructuring**

The result of the Bank's re-registration meant an overhauling of its ownership structure which had changed from that of a registered co-operative to a limited company under the Financial Sector Adjustment Programme (FINSAP) involving legal, institutional and financial restructuring measures. This also affected the share holding structure which then became:

- Government - 82%
- Social Security and National Insurance Trust and State Insurance Company - 14%
- Individual - 3%
- Co-operatives - 1%

The co-operatives felt peeved about this because they felt their contributions in solid assets had not been taken in account.

#### **c) Details of the Re-structuring Package**

The FINSAP programme for the Co-operative Bank involved the underlisted measures.

- a) New capital from institutional shareholders.
- b) Conversion of overdrawn balance of ₵2,413 million at the Central Bank to government equity in the Bank.
- c) Special drawing rights of ₵433 to cushion the effects of any rush on the Bank by clients wishing to withdraw.
- d) Stoppage of punitive interest charged by the Central Bank on the overdrawn clearing account.

- e) Issue of 5% 10-year FINSAP (Financial Institutions Structure Adjustment Programme) bonds in exchange of non performing exposures not transferred to Non Performing Assets Recovery Trust. (NPART)
- f) Refund of retrenchment expenses.

To reflect the shareholding position the Board of the Bank was also reconstituted.

#### **4. THE EFFECTS OF THE ADJUSTMENT/RESTRUCTURING**

##### **a) The Banks Mission Statement**

The original focus of the bank was to serve as a development bank for co-operative organisations. Following the restructuring its focus has been completely lost. The Bank's mission is now "to provide efficient and profitable banking services to the small and medium sector of the economy through the adoption of a more positive businesslike and innovative approach in serving its members. "

##### **b) Structural Changes**

Certain divisional and department functions were rationalised and restructured to allow for quick decision making. Two positions of General Managers to strengthen the management team were approved. Then, in order to work on the low public confidence arising from poor performance, a new customer base and confidence building was started to cope with competition.

The measures set in place since 1992 have produced fruitful results and gained public confidence.

##### **c) Branches and Profits**

They number 21 and for the first time since its establishment in 1974 the bank made profit of ₦322,790,000 in 1994.

##### **d) Deposit Growth**

As at December, 1994 deposits totalled ₦16.55 billion and this is accounted for by a few large depositors so the resolve is now to top the large deposit resources of the informal sector.

#### **5.**

##### **a) Negative Effects of the Restructuring**

While it is true that the bank has undergone restructuring, it is also true that it has lost its original focus. It is no longer a Co-operative Bank in the traditional sense. The restructuring has made the bank lose its co-operative substance. Both from outlook

and content, the Bank can hardly be called a co-operative organisation. Co-operatives are hardly at the receiving end of services provided by the Bank. A look at the schedule of outstanding loans confirms this. It has become another commercial bank and has no co-operative ideology as basis. The result is that the co-operatives have been left without a financial institution to attend to their needs.

The question may then be put: In whose interest then was the restructuring done? Was the Bank restructured to serve the non co-operative sector? Was this the objective in restructuring it?

#### **b) Unanswered Questions**

There was no written agreement on the modalities for the restructuring between the Bank of Ghana and the co-operatives, so how does the Central Bank divest its interest in the Bank? Is the Bank of Ghana going to sell its shares to any interested person or only to the co-operatives? Or will the Bank of Ghana wait till the co-operatives are ready to take over? These unresolved issues were the driving force in the co-operatives' decision to contest the action by the Bank of Ghana to deprive them of their Bank by re-registering it under another legal form and by going ahead with the restructuring without coming to any definite terms.

#### **6. CONCLUSION**

The Co-operative Bank has been restructured well and is operating successfully now, but it is not serving the interest of co-operatives. If the Bank of Ghana should divest itself of its shares to any other persons or organisations, then it would have presided over the loss of the Bank to the movement. If that should happen, the Co-operators would say the restructuring was a ruse to deprive them of the bank. What government or Bank of Ghana must do is to return the bank to their original owners in due time and make sure that the Bank operates in a businesslike manner so that the conditions that made the restructuring exercise necessary do not occur again.

## **IV.2 PEOPLE'S PARTICIPATION APPROACH AS COMPARED TO CO-OPERATIVE MOVEMENTS IN THE WESTERN PROVINCE OF ZAMBIA**

*By*

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### **PEOPLE'S PARTICIPATION AND CO-OPERATIVE DEVELOPMENT**

#### **Introduction**

A concerned inter-national community is now seeking a new strategy to revitalise rural development. The basic elements of the strategy are already clear: equity and self reliance. New development efforts are arising at releasing the energies of the people and guaranteeing that they share fully in the fruits of their efforts. This paper contributes to the many efforts on improvement of participation in rural development, to be specific in the co-operative movement. It reports on the experiences of a people's participation project in relation to co-operative development in Zambia.

#### **Why Participation**

Participation in rural development is not a new concept; it comes from way back in the mid 1970s, amid a growing awareness that development efforts were having little impact on poverty. The conventional strategies have seen development primarily as a series of technical transfers aimed at boosting production and generating wealth. Practically such interventions have targeted the medium to large scale progressive producers, supporting them with technology, credit and extension advice in the hope that improvements will gradually be extended to more "backward" strata of rural society. This targeted group only accounts for about 30% of the rural households. The majority are still left out.

In considering participation there is need to be aware of the formidable obstacles that can prevent it. Many of these arise from within the ranks of the poor themselves. Heavy work loads and generally poor health often leave the poor with little energy for "participation", while their low level of education cuts them off from progressive ideas. Perhaps the most insidious obstacle to be overcome are the rural poor's own lack of unity and their psychological dependence on the rich. In most cases, the rural poor

are economically dependent on the land owners, traders and middlemen, accustomed to leaving initiatives and decisions to their traditional leaders, they may fear intimidation or expulsion from their land if they became involved in independent peasant organisations. Other constraints are posed by local power holders and even slightly better off farmers who may see such involvement as a threat to age-old, and often highly profitable, patron-client relationships.

When you also consider participation by women -which is already known to be low-consideration should also be made of how women can be encouraged to participate. This calls for deliberate moves or policies that will make their participation easy. For example if in a community people need to send representatives somewhere, they will automatically chose some influential men to do so, they will rarely send women. These strong traditional beliefs can not be overlooked.

## **PEOPLE'S PARTICIPATION APPROACH**

### **Background**

The Zambian People's Participation Project (PPP) is one of the eleven projects that have been executed by Food and Agriculture Organisation of the United Nations (FAO), after the World Conference on Agrarian Reform and Rural development in Rome in 1979. With its call for active involvement and organisation at grassroots level of rural people the People's Participation Programme arose. The other countries involved include: Ghana, Kenya, Swaziland, Lesotho, Zimbabwe, Sierra Leone, Pakistan, Sri Lanka, Thailand, Tanzania and Nicaragua.

The experience of PPP has demonstrated that true participation is only possible when the rural people are able to pool their resources in pursuit of objectives they set for themselves. The most efficient means of achieving this has been found to be small, democratic and informal groups.

In Zambia the project started in 1983 implemented by the Department of Agriculture and executed by FAO. The funding has been provided by the Netherlands Government. The project operates in the Western Province of the Zambia, which is one of the poorest provinces of the country. Currently it covers all the six districts of the province which has an area of about 130,000 square kilometres and is very thinly populated (population for the province is 607,000), with a growth rate of 2.2% compared to the rest of the country with 3.5%. The physical environment consists of Kalahari sands on the up lands and a flood plain of the Zambezi river and its tributaries.

The project came about with the realisation by government that the majority of women lag behind men in all fields and have limited access to infra-structural

facilities and services. As a consequence, they have not participated to their fullest potential in the development process of the country.

The project is currently undergoing structural changes as the Ministry of Agriculture is introducing Agricultural Structural Investment Programme (ASIP), which is calling for the implementation of the project by private sector, i.e. NGO.

The long term goal of PPP is to enable the rural poor to improve their socio-economic condition through a sub village development approach based on the establishment of small informal self-help groups, organised around group income generating activities members themselves identify. The formation of small informal, self reliant groups of the poor is part of a longer-term strategy to build institutions serving their own interests.

The main agent in group formation is the Group Promoter. This is a community facilitator chosen within the same village setting to facilitate group planning and management of activities by the groups. When groups are strong they can if they so wish form an Inter-group Association that assists groups in planning and monitoring of activities. Record keeping, credit, and business management are among the subjects group members learn.

### **The PPP Strategy**

The *Group Promoter (GP)* has been instrumental to the formation of strong and lasting groups. The fact that she lives among the people and knows the people contributed to the trust of the group members. They have found it easier from start to learn from her.

There is general recognition that working with people using group approach is effective in reaching them with appropriate messages. It is however interesting to see that these organisations take little effort to organise people in sustainable groups and to train them among other topics in group management, leadership roles, savings, record keeping etc. The experience of PPP has shown that group formation needs outside push for a period of time, and most government departments and service organisations do not have time to do this facilitation. The task of a Group Promoter is to help the rural poor to build their capacity to organise and manage their own activities. She helps build their confidence in their own abilities and promotes self-reliance. Essentially her job is to serve as a facilitator, with three basic roles: As Group Adviser to strengthen their leadership, organisational and planning capacities, as a participatory trainer to teach group members basic technical literacy and problem solving skills, and as a link person to facilitate communication between the groups and Government and Non Government development services, such as

banks, extension services, and input supply agencies. Her assistance to a group is withdrawn when the group is strong enough, usually this is after two years.

The project has adapted the PP approach developed by FAO to the prevailing situation in the province in order to enhance participation, for example:

- To ensure good participation by the female members, leadership was deliberately let to the women.
- Group plans are an important aspect of the groups. Each group is encouraged to have their own plan of activities which they implement following their own task rota.
- It was also realised that male members also could facilitate some of the activities so that currently 27% of the members are actually men.
- The credit scheme which in the beginning was introduced to the groups as soon as they were formed, which made establishment of groups dependent on it, was discouraged. This **dependence** usually broke up the groups if they defaulted because of non payment. Now the IGAs play a big role in monitoring and follow-up of defaulting members. Since the loans are given on group trust, each member feels responsible for the repayment and thus for the success of the enterprise they get the loan for.
- The terms of the loans have changed from soft to commercial ones, therefore making the groups realise the actual situation for a loan. The approach now is that groups should save regularly and exist for over a year before they can apply for a loan.

### **Strengths**

Several factors can be identified for the success of PPP in Zambia, especially for the keeping together of these groups for several years and for the emancipation of rural women to speak out and participate in other community activities. The following have been found to be the strengths of this approach:

#### ***Group Development***

The GP has been very useful in the formation of strong and lasting groups. The fact that she lives among the people and knows the people has contributed to the trust of the group members. They have found it easy from start to ask and learn from her. A weakness however is the GP has become more dependant on the project since she has started to be exposed to the outside world and her plans have grown with the exposure she has received. It is clear that group development takes quite some time



before groups can actually stand on their own and carry out own activities without outside assistance.

### ***Small Groups***

The optimum number of members is between eight and fifteen. Small groups have proved to facilitate dialogue between members, have greater economic flexibility, and are less likely to be dominated by management elite's or breakdown in factions. This accounts for the good group member participation.

### ***Homogeneity***

The aspect of who joins in the group is of paramount importance. Usually the groups are composed of family or close relation members. The socio-economic status of the members will also determine how well they will be able to lead and manage themselves. So the group should be homogenous. In this way participation is to be of interest to all and management of group conflicts made easier. Members with similar backgrounds more likely trust each other and accept joint liability for their activities.

### ***Groups Basis on Income Generating Activity***

Group income-generating activities are crucial to group development because they have generated assets that helps build financial self-reliance, and increased participation.

### ***Groups Should be Voluntary and Self-governing***

Participants should decide who will join the groups, who will lead them, what rules they will follow, and what activities they will undertake. Decisions should be taken by consensus or majority vote.

### ***High Participation of Women***

The deliberate appeal of more women group members and office bearers has improved the women participation in the project.

### ***Rotation of Leadership in the Groups***

Members have developed the feeling of belonging to the groups as all know that leadership is their responsibility too.

### ***Access to Service Organisations***

These groups are able to approach service organisations for assistance. Extension workers like to work with organised and motivated people, so these groups find a recognition they never had before.

### ***Regular Group Meetings***

This has been a very strong point for the PPP groups. They have held regular meetings with role calls made. In the group by-laws there are charges for not attending group meetings. This has improved the attendance very much.

### ***Ability to Save Money***

Members who never before saved any money at home have started to save some money. The savings are assisting the members in various ways such as buying school uniforms, paying for medical treatments, funerals etc. which are very important issues in the rural areas. A sense of belonging has been enhanced by the amount of both social and economic assistance the members get from the group.

### ***Area Advisory Committee***

The involvement of the AAC in the monitoring and reporting of group activities have improved the information flow from the project to group members and vice versa. The more active the AAC the less dependant the groups are on the GP. These effective Committees are the basis for sustainability of PPP activities in the Province.

IGAs have three to four sub-committees which look into different supervisory tasks i.e. IGAs Committee, Disciplinary Committee, Loan Monitoring Committee etc. The committees are formed according to needs of the AAC.

### ***Food Security***

All groups grow crops and have received training as groups on crop production and diversification. On-farm storage and food processing have been important activities of the groups. Land cultivated by group members has increased from 2.2 hectares to 3.5 ha. PPP members have also acquired farm tools and oxen since they became members, these are such direct benefits that group members appreciate and does encourage participation.

### ***Linking of Credit with Savings***

All groups are encouraged to have their own savings, which are kept at group level or at the bank depending on the amounts involved, and the distances to the local

banks. The PP credit scheme is given to groups with strong savings who would like to supplement group savings so that the group can expand their group income generating activity. It is given at a commercial interest rate.

In the first phase of the project the credit was given through the then Zambia Co-operative Federation as soft loans mainly for maize production. There were many defaulters due to the fact that people thought the loans were gifts from the government (hang-over of the independence days). The second fact was when the rains failed and there was poor harvest. The PP credit scheme now offers small loans of short term for businesses such as trading and the payment schedules are as regular as monthly. This is to improve on the commitment of the group members to pay back.

## **LIMITS OF CO-OPERATIVES IN ZAMBIA**

### **Background**

In Zambia during the second republic (1964 - 1989) the Co-operative Movement was promoted and developed by the Government to the extent that it realised increasing responsibility for monopolising control of supply of farm inputs, the marketing, and processing of major products of members. The services based movement was created in four tiers (national, provincial, district, and primary or local), with a bottom-up control of election of board of directors from the level below. This produced a significantly bureaucratic system of management, incorporating low level of skills, responsibility and dynamism.

The co-operative movement in Zambia was highly subsidised, when the liberalisation of the economy and the withdrawal of the subsidies came, the whole movement collapsed.

### **Approach**

The approach is not different from that of PPP: Promotion of grass roots organisations that can be represented at a higher level.

There were numerous of these Primary Co-operatives formed on the basis of input supply, produce marketing and credit provision. The number of membership varied up to more than fifty members most often.

By definition co-operatives are also supposed to be voluntary, autonomous, and democratic, but these co-operatives seemed to be strong from above. The management of the activities of the primary societies was done by employees called the management. People did little on the management of their business ventures.

### **Weaknesses**

- Formation of the societies was based on input supply, soft loans and/or other services. Activities carried out by members were introduced to them. They were not identified by members.
- The tiers were spontaneously introduced in all provinces and districts. Their necessity is questionable.
- The participation of society members was minimal as managers were employed from as low as a Primary Society shop to the Co-operative Union and Federation level.
- Business ventures were normally started with a credit component which spoiled many members as they contributed little themselves.
- The approach, although said to be bottom-up was actually top-down.

### **Opinion**

The strength of the co-operative approach in Zambia was the establishment of many Primary Co-operatives as well as Provincial Co-operative Unions and the establishment of rural depots for marketing of inputs and produce. However, the result of the many co-operative societies is only standing empty sheds and shops because continuity is not possible without people's own initiatives and efforts.

### **ABBREVIATIONS**

FAO .....	Food and Agriculture Organisation of the United Nations
MAFF.....	Ministry of Agriculture Food and Fisheries
ASIP .....	Agricultural Structural Investment Programme
PPP .....	People's Participation Project
IGA .....	Inter Group Associations
GP .....	Group Promoter
ZCF .....	Zambia Co-operative Federation
IGA .....	Income Generating Activity

### **IV.3 THE CO-OPERATIVE MOVEMENT IN TANZANIA 1920 - 1995: PAST - PRESENT - FUTURE**

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#### **ABSTRACT**

Tanzania's long co-operative history is characterised by ups and downs. Under the state sponsored co-operative system adopted during pre-independence era, co-operatives witnessed great success in terms of human resource development, social and economic development. It is the success story of the pre-independence co-operatives that attracted government involvement in co-operatives.

The post independence epoch is characterised by the state controlled approach. Member initiatives are suppressed by state interests. The resultant is apathy and costly co-operative management by the state, thus squandering the very meagre state resources.

The lessons from the various approaches to co-operative development conclude that co-operatives are vital institutions for social, economic and political development of the majority of the citizens of our developing countries. However, if, co-operatives are to attain their goals, an enabling environment should be provided by the state, through respect of the ICA co-operative principles of voluntariness, democracy and self help and other social economic policies.

The future of co-operative development in Tanzania is guided by this vision.

### **THE CO-OPERATIVE MOVEMENT IN TANZANIA**

#### **1. PREAMBLE**

While co-operation in its institutionalised form emerged in the first half of the nineteenth century in Europe, in Third World countries Tanzania included, it emerged in the first quarter of the twentieth century. The discriminatory organisation of coffee production and marketing by the white settler farmers in Kilimanjaro and Meru inspired the African farmers to organise themselves and thus founding of the Kilimanjaro Native Planters Association in mid 1920s; the harbinger of co-operatives.

The first Co-operative Ordinance was passed in 1932 and in January, 1933, eleven (11) primary co-operative societies were registered and affiliated to form the Kilimanjaro Native Co-operative Union Ltd.

## **2. THE POLICY AND LEGAL FRAMES OF CO-OPERATIVES IN THE PERIOD 1930s - 1990**

The period 1930s - 1990 is a period in which the co-operative movement in Tanzania experienced shifts not only in the legal framework but in its growth pattern as well.

From the legal frame point of view, the co-operative movement within the period witnessed a revisiting of the co-operative statutes four times. This was since the enactment of the first Co-operative Ordinance in 1932. Accordingly, the 1932 Co-operative Ordinance was revisited in 1968; thus giving rise to the Co-operative Societies Act No. 27 in 1968; itself revisited and giving way to the Villages and Ujamaa Villages Act of 1975. Upon experiences of the period 1975 - 1982, i.e. the period "without co-operatives"; following the dissolution of co-operative unions by government decree in 1976; the 1982 Co-operative Societies Act No. 14 was enacted paving the way for the "re-establishment" of co-operatives in Tanzania.

While the 1932 Co-operative Ordinance was enacted during the colonial period, the subsequent enactments and changes in Co-operative Law took place in post independence Tanzania. It is worthwhile noting that, the changes both in the legal instrument governing the operations of co-operatives and indeed their growth/expansion pattern in the period and in particular in between 1967 - 1990, (Annex 1(a) and 1(b) were a reflection of the changes taking place in the political front (policy wise) on the one hand. On the other, it was a manifestation of the perception of co-operatives and their role(s) by the government of the day.

Thus, in 1967 for instance following the Arusha Declaration, the political blue print for the then Tanzania's policy of Socialism and Self Reliance; Co-operatives were seen as "Instruments" for realising the politically determined ideals of "Socialism and Self Reliance".

Unlike the co-operatives that emerged and developed in the pre 1930s (the member based co-operatives), the co-operatives of the period under review were government (both colonial and post colonial) controlled. Through the enactment of the above referred co-operative statutes, systematically, the co-operative institution was being converted into a government sponsored institution whose objectives were defined by the government and no longer by the members.

This in essence meant that the co-operative movement throughout this period was systematically being divorced from the membership. A "symbiotic" relationship was slowly, but systematically being cultivated between the government of the day and

the co-operative movement. A relationship whose final effect was the flouting of the cherished co-operative principles thus giving rise to a "co-operative movement" without a membership and incapable of self sustaining in the absence of politically motivated government financial hand outs.

By 1990, the co-operative movement in Tanzania had not only lost the fundamental characteristics of a member based co-operative movement, but even in attempt to make it live up to its externally determined objectives, was proving to be more of a liability than an asset (by June 1991, the movement i.e. unions were indebted to the tune of Tshs. 44bn/=). Hence the intention to "divest" it under the changed socio-political economic environment then taking root in Tanzania under the "Structural Adjustment Programmes" started in the mid 1980s.

It is this "hopeless" situation of the co-operative movement that prevailed in 1990 that was to give rise to on the one hand, a re-examination of the co-operative statute then in force i.e. the Co-operative Societies Act No. 14 of 1982, an exercise that gave rise to the enactment of the Co-operative Societies Act No. 15 of 1991. On the other hand and as a logical follow up to the enactment of the 1991 Co-operative Societies Act, the Co-operative Reform process was embarked upon in September 1991; thus paving the way for the "Evolution of the co-operative movement towards member based self help co-operatives" in Tanzania.

### **3. THE EVOLUTION OF CO-OPERATIVES SINCE 1991**

The enactment of the Co-operative Societies Act No. 15 of 1991 was a precursor to the evolution of the co-operative movement as initiated under the Co-operative Reforms Programme effective July 1991.

The enactment provided a legal framework under which the evolution towards member based self-help co-operatives could take place. Through the re-definition of roles and responsibilities of the government vis a vis the co-operatives, as seen through the office of the Registrar, the Co-operative Act No. 15 of 1991 had in effect curtailed the powers of the government (and the political party at that time) in the management and control of the affairs of co-operatives. From an active "Manager/Watchdog", the Registrar's office is now expected to play the role of a facilitator and promoter of member controlled self help co-operative institutions. In conjunction with the reforms both in the political and economic spheres as manifested through political pluralism, trade liberalisation and the financial sector reforms; the social, political and economic frames in Tanzania had all provided a conducive environment for the first measures towards the establishment and development of member based co-operatives to be taken.

This was in essence the breeding ground for the Co-operative Reform. A reform process whose mandate emanated from the Co-operative Societies Act No. 15 of 1991, itself a product of the "wind of change" then sweeping across Tanzania in the social, political and economic fronts. From the hitherto state sponsored - "Top-Down" co-operative set up devoid of members control and unaccountable to them, insensitive to their needs and therefore alienated from them, the Co-operative Reform was an embarkation to a "Bottom-Up" process of co-operative evolution. A rebuilding of a co-operative system that is not only responsive to members' felt needs and accountable to them, but also one that is managed and controlled on basis of co-operative principles and practices as formulated by the International Co-operative Community as represented and stipulated by the International Co-operative Alliance.

Thus the Co-operative Reforms Activities undertaken effective September 1991 i.e.:

- a) preparation of final accounts and statements of affairs of societies
- b) undertaking of action research and
- c) cancellation and registration of societies on basis of their economic viability or otherwise, were the setting up of "Co-operative Reforms - benchmark".

The discernible change in the co-operative movement in the Pre-Co-operative Reform era and four years later is depicted in Annexes 2,3 and 4. The impressions obtaining in the Annexes is a reflection of the changed social, political and economic environment in Tanzania as it impacts on the co-operative movement - under evolution. Suffice here to say that, both the growth or shrinkage of the co-operative movement in the various sectors of the economy now, e.g. the decline of registered rural marketing co-operatives from 6,565 in 1990 to 2,556 in 1995 is a more "natural" and "rational" structural adjustment/build-up of the movement on basis of economic viability of the societies in each category.

In the absence of political/government pressure or influence in the growth and operational pattern of the movement, the picture that is now unfolding is a product of the evolution process started in 1991 under the Co-operative Reforms.

#### **4. THE CO-OPERATIVE MOVEMENT TODAY: STRENGTHS AND WEAKNESSES**

The process of "re-building" the co-operative movement in Tanzania since 1991 has provided yet another rare opportunity for the country to be able to ascertain both the strengths and weaknesses of the movement.

Under the Co-operative Act No. 15 of 1991, the members have demonstrated their voluntarism to organise into co-operative organisations from Primary level to



Federation through Secondary and Apex levels (the four tier structure; refer Annexes 1(b), 3 and 5).

Through the re-defined roles of the government (as a facilitator) and re-formulated trade and financial sector policies (trade and financial sector liberalisations respectively), the hitherto inherent weakness of the state sponsored movement have been exposed. Under a centrally planned economy, the co-operatives enjoyed a near monopoly especially in the crop marketing and inputs distribution businesses. This unfortunately provided a fertile ground for inefficiency and complacency. Come liberalisation, the co-operatives have been exposed to a world of competition, thereby finding themselves ill-equipped in competitive marketing techniques both in the commodity and money markets.

Their inability to keep abreast with the changed environment has not only rendered the co-operatives a weaker competing sector, but unable to render satisfactorily the social and economic services needed by their membership. It is this situation that was raising questions for the continued existence of the movement. To the enemies of co-operatives this situation was good reason enough for the dismantling of the co-operative "edifice" that had taken over sixty years to try to establish.

Capacity to compete effectively in a liberal market oriented environment is the challenge facing the co-operative movement in Tanzania today if the institution is to survive. Thus, while there is no doubt that through the reform process, the existing weaknesses of the movement as measured for instance in terms of membership and share contributions (capital structure - refer Annex 4) and therefore the urgent need to adopt strategies to redress the situation have been revealed. Yet by the same token, the immense potential abound for success has equally been revealed. The reform process has for instance revealed that, with appropriate sensitisation the co-operative membership is capable of tackling some of their critical shortcomings e.g. capital. The ability to initiate "Crop and inputs funds" following government decisions to withdraw from effective involvement in crop marketing through the setting of floor/producer prices and inputs supply/distribution under the changed trade policies, is testimony to the fact.

Through such measures, the movement has not only been able to raise capital to finance their two major activities, (crop procurement/marketing and inputs distribution), but indeed, in some cases undertook the first steps towards the setting up of their own finance - houses i.e. Co-operative Banks. (e.g. The Kilimanjaro Co-operative Bank). These are the first moves towards building self-financing capacity in the co-operative movement, a phenomenon which has for long undermined the independence of the institution.

While in 1990/91, a year before the reform, the audited accounts of 27 Co-operative Unions revealed losses to the tune of Tshs. 35.5 bn./=, (Annex 6a), in 1992/93, i.e. two years after the reform there is every indication that the movement is taking a positive turn. The audited accounts for the 1992/93 show that the 23 Co-operative Unions, which undertook crop marketing business, realised a surplus of Tshs. 5.3 bn./= (Annex 6b).

There is no doubt that a realistic price setting mechanism adopted by the co-operatives following government's withdrawal in floor price setting in 1990/91 is partly to explain for this positive trend. Indeed the reverse also provides explanation for the results of 1990/91.

Thus, there is no doubt that, the Co-operative Reform, a process, itself a product of a changed environment socially, politically and economically is fertile ground for the eventual development of a self-help member based co-operative movement. Indeed through the "Co-operative Reform Bench Mark" the future seed of the movement was sown.

## **5. FUTURE OF CO-OPERATIVE DEVELOPMENT**

### **5.1 The Socio-economic Political Frame:**

The future of the co-operative movement in Tanzania is very much embedded in the Co-operative Reform process whose activities (as outlined above) were geared at laying the foundation upon which member based self-help co-operative organisations operating on basis of internationally accepted co-operative principles would emerge from state controlled co-operatives. As clearly stated in "The National Co-operative Development Policy" (proposed), the Co-operative Sector is part of the private sector of the economy. Thus, the role of the government is that of facilitating for the existence of a socio-economic and legal environment conducive to the emergence and development of a member controlled co-operative movement.

Towards the provision of a conducive environment, some major policy changes have already been made both on the political and economic fields. Political pluralism has paved the way for more democratic practices, and to co-operatives, this has meant an opportunity for more freedom from political interference (e.g. the screening of office bearers by the party). On the economic front, the 1993 amendments of the Crop Marketing Boards' Acts, has meant an end to the export trade monopoly hitherto enjoyed by the Boards in export of traditional export crops. Co-operatives are now free to engage in direct export of their members' crops and thus earn hard currency. On the other hand, these amendments have equally opened the doors for other private business enterprises to indulge in buying those crops which have until then been the monopoly of the co-operatives. This means a challenge to the co-

operatives, to pull up their socks! The laissez-faire attitude hitherto manifested by some co-operatives has no room in the now competitive liberalised market environment.

It is both efficiency and quality of services rendered by the co-operatives to their members that will more than count under the prevailing competitive environment.

The financial sector reforms undertaken have also ushered in a liberalised environment in the financial markets set up. A liberalised exchange regime and the enactment of the Banking and Financial Institutions Act - 1991, have all provided the co-operatives with an opportunity to compete as equals with others in the financial markets. The doors are open for them to establish their own finance houses, thereby enhancing their financial capacity.

Thus, the liberalised policy frame that prevails now in Tanzania, provides the co-operative movement with an environment in which they can either swim with their heads above the waters or drown. This is the bottom line for co-operatives.

It is the way and manner in which the co-operative movement as part of the private sector economy re-aligns itself in the prevailing environment that will determine the future of the movement. The movement is carrying its future in its own hands. It is the philosophy and practice of the co-operative philosophy manifested in member control (member empowerment), primary level economic viability as the foundation of a self sustaining movement built upon a sound financial capacity that provides the prospects for the future of the co-operative movement.

## **5.2 Member Empowerment**

A co-operative movement by its philosophy and practice is built from below. It is the natural persons who "associate" to form the society - at primary level upon which the other levels of co-operation are built.

Based on their "felt need(s)" the persons associating determine not only what their society at primary level is meant to achieve, but also how. It is on the "how" that, where it's felt necessary, Secondary and Tertiary levels of co-operatives are established. This thus, is the essence of both the "Bottom - Up Approach" and the 1991 Co-operative Act provision that "the structure of co-operatives shall be determined by the members ... " (Section 3).

In practical terms, the above means co-operative members empowerment. Availing the members with the "tools" to control and determine their society's destiny. It is making the members realise and accept the fact that the society is their responsibility. It means availing the members with the information upon which to

make decisions. Information is power. Information provides a basis for effective participation in the management of co-operatives.

The bottom line in member empowerment is transparency in the conduct of affairs of the society. Transparency cultivates confidence amongst the co-operative members. The reverse breeds suspicion. In sum, human resource development is the most important factor in the reform process.

The hitherto state sponsored co-operatives have suffered from severe unaccountability to the membership. The principals (primary societies) became agents and the agents (unions) became principals. The supposed member at primary level, was left out in the "cold"; the reason for his apathy and negation of the movement. As noted this development is a logical outcome of the "Top - Down Approach" adopted to co-operative development in the pre - 1991 period. The consequence as seen above has been the emergence of a non - performing and unsustainable co-operative set-up. The anti-thesis of co-operative philosophy and practice.

It is through member empowerment, i.e. availing the co-operative membership at primary level with the information on the performance of their society, so that they are aware and informed to enable them make informed decisions on the way their society should be managed - that way, they become responsible and accountable to their society. Their participation in the affairs of their society is not only realised but becomes inspirational and cultivating a sense of ownership.

It is for this that the Co-operative Reforms Programme started in 1991, through the "Bottom - Up Approach", aims at developing self sustaining member controlled primary co-operative societies, the foundation of an economically viable and self sustaining co-operative movement in Tanzania.

### **5.3 The Integrated Approach**

Hitherto, the small scale farmers who are also members of the co-operative movement, have been ushered by the state to produce traditional export crops as well as food crops. Production and productivity are given undue emphasis in relation to the "net gains" to the farmer.

Thus even if the undertaking is loss making, farmers by law are forced to perform it. This mercantilist approach has led, to some extent, to the impoverishment of the peasants, for alternative high paying undertakings have not been considered.

Through the integrated approach, financial methods will be applied in addition to production enhancement, to ensure that peasants undertake profitable lines of business. Furthermore, processing will be encouraged, to add value so that farmers

through co-operatives, sell as much as possible finished products whose prices are usually much higher compared to the processing costs. Similarly maximum use of finished products will be given adequate weight.

The integrated approach is part of member empowerment through increased earnings and reduced risks through processing and use of bi-products. As a movement the approach raises degrees of autonomy and independence.

#### **5.4 Financial Capacity in Co-operatives**

By its nature, the co-operative movement in Tanzania is essentially rural based (Refer Annex 1(b)). The agricultural based co-operatives constitute the force in the movement.

It is because Tanzania is essentially an agricultural based economy (60% and 84% of export earnings and employment generation respectively), that agricultural based co-operatives have featured prominently in the country's co-operative movement discussions. Undoubtedly this will continue to be so for quite sometime to come. By the same token, once the agricultural based co-operatives ran into trouble, by itself was sufficient enough to cultivate a feeling that the entire movement is "bedevilled". This is tantamount to saying that the stronger the agricultural co-operatives, the stronger is the movement in the country. The reverse holds true also.

Apart from suffering severely from a small (numerically) and an uninformed membership, a weak capital base (Refer Annex 4) has been the other major source of weakness of the movement. Indeed, as noted, it's this that has partly led to government involvement that eventually turned to government control of the movement. It is the inability to self-finance that led to financing arrangement of co-operative operations by government. This resulted to the development of a state - sponsored co-operative movement. Naturally, "it is the piper who plays the tune".

The consequence of the above was the development of a movement incapable of self-sustaining. With a re-definition of government roles, following a changed socio-economic political environment, the co-operative movement found itself unable to compete in a liberalised market economy setting. It is this that puts the movement into "at the cross-roads" situation. If it is to really live up to the aspirations of its members, the co-operative movement has to build its own financial capacity. A capacity that would enable the movement undertake to a large extent self-financing of its major operations if it is to survive in the pertaining competitive environment. The development of a financing mechanism that is self-sustaining in the co-operative set up thus attains priority as regards the future of the movement. Co-operative Savings and Credit Societies, their undeveloped position notwithstanding, have however demonstrated their potential as a viable mechanism for the sector to

develop such a financing mechanism. It is on this that the "Rural Financial Services" promotion drive in Tanzania is built upon.

### **5.5 Rural Financial Services**

The need to develop an appropriate "Rural Financial Services" mechanism is underlined by the inability of the "Formal Financial Institutions" i.e. banks to provide the requisite services; the savings potential and credit needs in the rural areas notwithstanding.

A failure to appreciate the nature and magnitude of financial services needed by the rural population (who constitutes the potentially big force of the co-operatives) have led to the frustration of many a programmes aimed at availing these services to the rural populace.

While many efforts, both government and donor supported have been made to realise this, due to their design and implementation short sightedness - in terms of the characteristic demands of these services in the rural settings, these programmes ended up either as "credit supply programmes" (instead of demand driven) or "savings mobilisation drives" that turned out to be extractive i.e. siphoning savings from rural areas for investments in the urban areas. Either way, the end product has not been the emergence of a financial services delivery mechanism suited for the rural needs.

By their nature (design and modus operandi) the formal financial institutions (bank) found themselves incapable of meeting the many small fragmented credit needs of the rural populace. Any efforts to meet these demands have resulted on the one hand in very high operational expenses, thus turning the exercise into a non-profitable undertaking. On the other, the donor supported credit programmes - in attempt to address the credit needs of the rural poor, ended up as "supply lines for credit", which did not engender a self-sustaining mechanism. Invariably these efforts have ended up unsustainable once the supply lines dried up in resources.

It is the development of savings mobilisation mechanisms with an in-built credit disbursement mechanism that in the final analysis provide a sustainable rural financial service delivery mechanism. Such a mechanism should be capable of availing the rural populace, with savings services with convenience and ease at their area of residence, while at the same time, rendering them with a withdrawal service on their deposits/savings, as and when the need arises.

Through the development of a savings mechanism, and by the nature of withdrawal on savings (small quantities) a source of credit for those who might need will have been created within the rural populations locale. What is needed is the development

of a financial intermediation mechanism suitable to the needs of rural situations. Savings and Credit Co-operative Societies are a possible avenue for this.

### **5.6 Savings and Credit Co-operative Societies (SACCOs)**

Savings and Credit Co-operative Societies (SACCOs) are by definition financial institutions undertaking financial intermediation functions. By their nature (organisationally and functionally), thus they provide an ideal basis upon which the co-operative movement can foster a mechanism for facilitating financial intermediation not only amongst the co-operators as individuals but also within the movement's structural build up.

Thus the Savings and Credit Co-operative Societies - both in rural and urban settings provide the foundation upon which Co-operative Finance Houses can be built, thereby establishing the much needed "Co-operative Finance Capacity".

The desire to establish and develop a "Co-operative Banking System" in Tanzania is essentially pegged on the concept of developing a "Rural Financial Services" delivery mechanism. As noted earlier on, the Kilimanjaro Co-operative Bank Ltd (KCB) registered and licensed to undertake banking business in late 1995, is one demonstrable case towards that end. It is anticipated that by the year 2000, sixteen (16) co-operative banks developed on basis of the above concept will be operational in fifteen (15) Regions of Tanzania.

## **6. CONCLUSION**

The Co-operative Institution since its inception in the early 1920s thus attaining a record of over sixty years has been a "household" word in Tanzania. This has proved the "Indispensability" of the organisation. Indeed the traced changes in the co-operative statutes alluded to in the paper since 1932, have if anything indicated the effects of "Lacking a Co-operative Development Policy". The absence of policy guidelines, made the laws as amended from time to time assume the roles of both policy and implementation instrument.

Unlike the case has been hitherto, the "Co-operative Development Policy" (draft) now provides not only a guide to Co-operative Development in the country but also a basis for co-operative legislation. With the main objective of creating an environment in which individuals are encouraged and secure in exploiting their own resources to the fullest extent for their economic and social advancement through the concept and philosophy of co-operation, the co-operative movement in Tanzania is through this policy now posed for the right course.

Developed on basis of past experiences - successes and failures of the co-operative movement, over the last sixty years, the "National Co-operative Development Policy"

correctly emphasises on the basics of co-operation - voluntarism, common felt need and economic viability. Capacity (financial and human) building, women and youth in co-operative development and indeed donors with respect to co-operatives.

As co-operatives don't operate in a vacuum, the policy stresses on co-operatives and the environment in which they operate - using both science and technology. The policy statements in short are "within the time frame complete". The challenge is actualising them. The journey is a long one, but it is - gratifying to note that -, with the Co-operative Policy "In Situ", through the Co-operative Reforms initiated in 1991 and the little, but encouraging progress made to date, the co-operative movement in Tanzania is "on course".

Having noted the potential in co-operatives as institutions for people's own development (socially and economically), the Government of Tanzania is committed through appropriate legislation to undertake its promotional and the provision of support services - responsibilities to the movement. The enactment of the Co-operative Societies Act No. 15 of 1991 is testimony to this commitment. Also its continued revision (when need arises) so as to ensure that it provides the requisite conditions for the development of self-help member managed co-operatives is with no reservations to the government.



**ANNEX 1      GROWTH PATTERN OF THE CO-OPERATIVE MOVEMENT IN  
THE PERIOD 1930S - 1995**

Annex 1(a)

REGISTERED SOCIETIES 1932 - 1995

Period	Societies
1932 - 1955	312
1955 - 1968	1,861
1969 - 1975	2,724
1976 - 1982	2,046
1982 - 1990	9,492
1991 - 1995	4,919

Annex 1(b)

RANKING OF CO-OPERATIVES BY TYPE: AT APRIL 1995

Type/Total	AMC	SACCOs	Industrial	Consumer	Housing	Others
Nos. 100%	52%	13%	6%	18%	2%	9%
Membership 100%	60%	23%	1%	12%	1%	2%
Share 100%	40%	52%	0.01%	5%	5%	2%

N.B.: AMC ..... Agricultural Marketing Co-operatives

SACCOs ..... Saving and Credit Co-operatives

**ANNEX 2 REGISTERED CO-OPERATIVE SOCIETIES AS AT 31ST  
DECEMBER 1990**

Region/ Type	Consumer	Savings & Credit	Industrial	Transport	Housing	Service	Others	Joint Ventures	R.P.S.	S.S.	TOTAL
Arusha	80	18	19	0	0	2	0	0	199	2	321
D'Salaam	400	110	64	7	29	41	10	0	37	1	699
Dodoma	107	34	8	0	59	0	6	1	431	1	647
Iringa	71	23	18	0	3	0	2	3	348	2	470
Kagera	47	67	2	1	0	1	1	0	252	3	374
Kigoma	52	3	3	1	0	0	0	0	200	1	260
K'njaro	68	36	11	2	0	0	7	0	285	2	411
Lindi	48	11	10	0	0	0	10	1	292	1	373
Mara	57	13	7	1	2	1	5	0	338	1	425
Mbeya	166	24	23	0	3	1	21	6	198	2	444
Morogoro	81	23	21	5	2	4	16	0	171	1	324
Mtwara	16	8	5	3	2	0	5	0	452	1	492
Mwanza	99	15	27	1	4	0	18	0	529	1	694
Pwani	47	13	7	0	2	1	7	0	315	1	430
Rukwa	41	6	10	0	2	2	3	0	613	1	287
Ruvuma	24	20	5	0	3	1	2	0	259	2	372
Shinyang a	47	13	11	3	2	2	6	0	385	1	698
Singida	32	6	11	1	5	1	3	0	164	1	319
Tabora	150	9	10	0	2	4	5	0	342	1	566
Tanga	101	33	38	1	8	7	10	0	182	1	363
<b>TOTAL</b>	<b>1,734</b>	<b>485</b>	<b>310</b>	<b>26</b>	<b>128</b>	<b>68</b>	<b>137</b>	<b>11</b>	<b>6,565</b>	<b>27</b>	<b>9,492</b>

R.P.S. .... Rural Primary Societies

S.S. .... Secondary Societies

Source: MAC - Co-operative Department

**ANNEX 3: REGISTERED CO-OPERATIVE SOCIETIES AS AT APRIL 1995**

No.	Region/ Type	Consumer	Savings & Credit	Industrial	Transport	Housing	Service	Others	Joint Ventures	R.P.S.	S.S.	TOTAL
1	Arusha	67	58	19	-	17	2	19	1	152	2	320
2	D'Salaa m	316	126	70	18	60	51	26	-	23	3	650
3	Dodoma	23	37	4	1	1	2	13	-	154	-	294
4	Iringa	36	44	14	1	-	1	11	1	138	2	249
5	Kagera	30	38	1	1	1	1	16	-	125	3	214
6	Kigoma	13	4	1	-	1	-	1	-	35	-	55
7	K'njaro	52	80	14	-	-	-	12	-	118	2	280
8	Lindi	10	12	7	-	2	1	1	3	75	1	111
9	Mara	22	10	5	1	6	4	2	1	153	1	196
10	Mbeya	10	36	24	2	4	-	15	-	114	4	230
11	Morogor o	57	46	12	3	2	17	4	2	27	1	130
12	Mtwara	2	11	5	1	2	6	3	-	120	1	150
13	Mwanza	30	17	11	-	5	5	12	-	97	3	178
14	Pwani	24	14	14	1	1	6	2	-	343	1	420
15	Rukwa	3	12	2	-	1	16	2	-	22	1	48
16	Ruvuma	2	27	1	-	-	5	1	-	90	3	127
17	Shinyan ga	11	10	4	-	2	2	11	-	426	2	466
18	Singida	8	7	4	-	1	-	8	-	105	1	136
19	Tabora	127	26	9	-	2	3	3	1	179	2	352
20	Tanga	80	72	54	1	4	20	18	1	60	3	313
	<b>TOTAL</b>	<b>923</b>	<b>657</b>	<b>275</b>	<b>30</b>	<b>112</b>	<b>143</b>	<b>180</b>	<b>7</b>	<b>2,556</b>	<b>36</b>	<b>4,919</b>

ACTIVE - 3

R.P.S. - Rural Primary Societies

DORMANT - 1,322

S.S. - Secondary Societies

Source: - MAC - Co-operative Department

**ANNEX 4 REGISTRATION OF CO-OPERATIVE (RURAL PRIMARY) SOCIETIES AFTER 1991 CO-OPERATIVE ACT AS AT 31ST DECEMBER, 1994**

No.	Region	Before Reform	After Reform	Membership	Value of Shares (Shs.)
1	Arusha	195	180	48,901	48,901,000.00
2	D'salaam	33	23	776	1,130,500.00
3	Dodoma	429	25	343	669,500.00
4	Iringa	348	104	4,413	7,102,290.00
5	Kagera	187	175	16,418	16,418,000.00
6	Kigoma	137	30	471	1,160,000.00
7	K'njaro	333	116	83,543	796,024,328.00
8	Lindi	330	75	3,610	4,310,137.00
9	Mara	337	153	7,397	6,016,938.00
10	Mbeya	247	111	52,175	42,799,500.00
11	Morogoro	170	74	1,115	2,140,000.00
12	Mtwara	452	120	6,257	12,855,720.00
13	Pwani	350	97	2,718	2,698,900.00
14	Mwanza	636	343	33,581	16,786,900.00
15	Rukwa	219	61	3,015	6,834,000.00
16	Ruvuma	315	86	14,005	41,269,513.00
17	Shinyanga	623	478	9,556	22,867,150.00
18	Singida	291	105	2,187	1,954,505.00
19	Tabora	382	167	12,424	78,328,960.00
20	Tanga	182	52	2,728	2,266,125.00
	<b>TOTAL</b>	<b>6,196</b>	<b>2,575</b>	<b>305,633</b>	<b>1,112,533,966</b>

Source - MAC - Co-operative Department

**ANNEX 5 CO-OPERATIVES' APEXES AND MEMBERSHIP AS AT JANUARY 1996**

TCCA	TACOCA	TACECA	TTCA	TACCA
KNCU	NCU	IMUCU	WETCU	TAMCU
KCU	SHIRECU (1984)	NJOLUMA	SAMCU	KIDICU
ACU	BCU	FIPA	LATCU	NECU
MBICU	MRCU	RIVACU	CETCU	MAMCU
MBECU (1994)	KACU		KACU	CORECU
MBOCU	ICU			
KDCU	SIFACU			
KYERUCU				
ISAYULA				

N.B.: TCCA..... Tanzania Coffee Co-operative Apex

TACOCA..... Tanzania Cotton Co-operative Apex

TACECA ..... Tanzania Cereals Co-operative Apex

TTCA..... Tanzania Tobacco Co-operative Apex

TACCA..... Tanzania Cashewnuts Co-operative Apex

**ANNEX 6(A): AUDITED ACCOUNTS FOR CO-OPERATIVE UNIONS - 1990/91**

No.	Name	(Losses' 000) Surplus' 000
1	ACU	-126,480
2	BCU	-455,350
3	BUHA	-478,000
4	CRCU	-950,000
5	CORECU	-259,000
6	DARMCU	39,000
7	IMUCU	-920,702
8	KCU	-608,404
9	KDCU	-381,602
10	KYERUCU	-195,176
11	KNCU	-1,533,700
12	BCU	-2,311,278
13	SHIRECU	-5,054,253
14	SIRECU	-1,482,700
15	TARECU (TB)	-3,562,070
16	TARECU (TG)	-
17	VUASU	-
18	LIRECU	-425,645
19	MCU	-2,945,132
20	MBECU	-1,863,562
21	MBICU	-1,402,971
22	MARCU	-543,200
23	MRCU	-
24	NJOLUMA	-1,252,490
25	NCU	-7,310,463
26	RIVACU	-418,140
27	RURECU	-979,526
	TOTAL	-35,420,844

SOURCES: MAC-CO-OPERATIVE DEPT.

**ANNEX 6(B) AUDITED ACCOUNTS FOR CO-OPERATIVE UNIONS - 1992/93**

No.	Name	(Losses' 000) Surplus' 000
1	KCU	559,060
2	KNCU	508,853
3	LIRECU	19,458
4	MORECU	85,874
5	MARCU	46,573
6	SHIRECU	19,188
7	TARECU (TBR)	33,058
8	NJOLUMA	-123,759
9	CORECU	-115
10	DARMCU	-261
11	IMUCU	-4.2
12	MCU	-371
13	BCU	-24
14	ACU	1,143,256
15	VUASU	100,454
16	NCU	1,109,021
17	MBICU	1,117,977
18	RCU	114,417
19	KDCU	126,818
20	TARECU (TANGA)	15,060
21	KYERUCU	14,684
22	MBECU	262,963
23	RIVACU	68,903
	TOTAL	5,345,617

N.B.: Four Co-operative Unions namely CRCU, BUHA, RURECU, and SIRECU did not buy crops from their members because they did not get Bank Loans during the 1992/93.

SOURCES: MAC - Co-operative Department

## IV.4 CO-OPERATIVE DEVELOPMENT POLICY FOR MALAWI

By

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### 1. BACKGROUND

The origins of the present co-operative legislation in almost all developing countries date back to the colonial times when co-operatives were introduced as instruments for increasing the production and quality of agricultural products, reducing indebtedness among farmers and help in consolidating the value systems of the colonial powers. In Malawi co-operative societies have been in existence since the 1940s. These developed into well organised entities in agriculture, marketing and general merchandise trading.

The existing ACT in Malawi was enacted in 1946. The legislation was done with the aim of encouraging co-operative institutions as a means of speeding up economic development especially in the rural areas. The first co-operative societies that emerged during this period were predominantly agricultural, dealing with groups of farmers engaged in different agricultural products. However, there were other types of co-operative societies in operation dealing with different types of products other than agricultural.

There was little or no development of co-operatives in the form of Savings and Credit Co-operatives (SACCO) from 1947 to 1971. The first SACCO was registered in 1973, and in the 1980s a remarkable number of new SACCOs sprang up. These have become the most common type of co-operative societies in Malawi, accounting for the majority of the co-operative societies in Malawi. At present, there are four major types of co-operative societies and these are:

- a) Savings and Credit Co-operatives
- b) Consumer Co-operatives
- c) Industrial Co-operatives
- d) Agricultural Co-operatives

There are about hundred and fifty co-operatives societies registered with the Ministry of Commerce and Industry which is responsible for all co-operatives matters in



Malawi. There are also additional unregistered co-operative groups operating in the country that are organised by other ministries and Non-governmental Organisations.

Although co-operative societies have such a long history in Malawi, there has not been any written government policy regarding the development of co-operatives. It was believed that co-operative grouping could create the frame for a discussion of dissent, and therefore, the previous Government was discouraging the proliferation of co-operatives in Malawi. Another school of thought regarded co-operative movement as a socialist ideology, therefore, against the government, hence not worth encouraging.

## **2. PERFORMANCE OF THE CO-OPERATIVES IN MALAWI**

Co-operative societies in Malawi have succeeded in assembling agricultural products and helped to identify markets for these at reasonable prices for the farmers. Co-operative societies helped in strengthening the bargaining power for individuals. The co-operative societies have assisted banana farmers in sharing the transportation costs from the production areas to the cities for better prices, a feat individual farmers could not afford.

The co-operatives' movement in agricultural products was successful in the period between 1947 to 1971, basically because of the support from the government. However, most of these co-operative societies have gone into voluntary and forced liquidation due to mismanagement, lack of co-operative education and, to a large extent, due to political intervention. The absence of any written government policy regarding the development of co-operatives, not even in the statement of Development Policies in Malawi, which is the main tool followed in the implementation of development plans also played a role. It can also be argued that this is the reason why the importance of co-operatives in national development has not been given prominence.

Structural Adjustment Programmes in many countries of the Southern Africa including Malawi had a marked impact on the structure and performance of co-operative societies. Such programmes have resulted in radical privatisation leading to reduced public spending and state control over private enterprise, some of which include co-operatives. In the framework of the liberalisation programme the central government had reduced subsidies and other fiscal privileges removed. Since co-operatives were often recipients of these subsidies and privileges, their removal adversely affected them. In Malawi, this is greatly manifested by the streamlining of government staff for co-operative promotion. However, this removal exposed the co-operatives to the same market conditions other enterprises faced. The failure to

operate in such a market environment led to the liquidation of most of the first generation co-operative societies in Malawi.

In view of the new prevailing economic and social environment in Malawi, it is imperative for the government to provide an enabling environmental framework which addresses the needs of co-operatives and their members. Such a framework should encompass issues such as co-operative development and co-operative legislation. The framework should be supported by other associated legislations concerning trade, labour markets, anti-trust legislation and banking laws and institutional support services. Therefore, the government should take up the issues of co-operative development policy and legislation as effective tools for the promotion of co-operatives.

### **3. OBJECTIVES OF THE CO-OPERATIVE POLICY IN MALAWI**

The existing policy in the Laws of Malawi enacted way back in 1946 provides for the formation and regulation of the operation of all types of co-operatives in Malawi. The government should strive to have a policy that will create an economic, legal, and institutional framework which will be conducive to the development and growth of co-operatives. Therefore, the new policy should recognise that co-operatives are an important vehicle for socio-economic development and not an instrument of the state. To achieve this, the government should promote the co-operative movement without undue interference.

Through the new policy, the government should treat co-operatives on equal terms with the other types of enterprises in the country. The policy should enable the government to give support financially and materially, through incentives like tax exemption, training, custom duty exemption to co-operatives that are registered. There is need for the decentralisation of the organisations that are actively involved with co-operative development, and this must be facilitated by the new policy on co-operatives.

The objective of the new co-operative policy should be to affirm its commitment to the internationally recognised co-operative principles of:

- a) open and voluntary membership;
- b) limited interest paid on capital;
- c) surplus earnings will be distributed in proportion to the use made of the co-operatives;
- d) political and religious neutrality.
- e) continuous member education and training.

The new policy shall recognise that:

- a) Co-operatives will aim at promoting the social and economic interests of its members.
- b) Co-operatives shall not aim at profit maximisation but service to members according to sound business principles.

#### **4. THE IMPORTANCE OF CO-OPERATIVES IN MALAWI**

Co-operatives are expected to stimulate increased growth of the GNP and promote a more equitable distribution of the national wealth. The co-operatives can also be used as instruments of social change by establishing stronger links with the non-government organisation.

To appreciate the importance of these, co-operatives must be viewed in the following broad ways:

##### **I. Economic Improvement**

It must be understood that co-operatives are an economic system which is based on justice in business and that they prevent exploitation of the weaker members of the society by the strong ones.

##### **II. Education**

Co-operatives are a good source of continuous education especially in business management. They offer specialised training depending on type of co-operative. Members learn new things by simply being active.

##### **III. School of Democratic Living**

Since co-operatives are formed on democratic principles, with proper respect for the rights of individual persons, each member learns on how to conduct themselves in their meetings and selection of leaders.

##### **IV. Social Harmony**

Co-operatives lessen the everyday tensions experienced by modern people. They tend to help members find a common ground on which to work together. They also teach the principle of interdependence, where everyone must work together for social progress.

## **V. Agent of International Understanding**

Co-operators all over the world understand one another easily because of their belief in the same principles of justice and harmony. They do meet and communicate easily.

## **5. THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT**

It must be accepted that co-operatives, when operating efficiently, help to bring about societal conditions which are consonant with or even identical with the conditions which are the objectives of the government policy of reducing poverty in the long run. There's need for the government to provide support and encouragement technically and financially, without undue effect on their independence, because too much government control can weaken the co-operatives' autonomy. Too little support might also deprive the required assistance especially in the early stages of co-operative formation.

Government can do much to create a favourable climate for the establishment, operation and growth of co-operatives. One way is by reviewing the existing legislation on co-operatives. Without doing everything for co-operatives, Government must utilise and support the active co-operation of other organisations in the field of co-operative development e.g. other Ministries, parastatals, NGOs, international agencies etc.

At the meantime in Malawi the responsibility of promoting co-operatives is in the hands of the Ministry of Commerce and Industry who are also the Registrar of Co-operatives. The Ministry is responsible for the administration of the Co-operatives Act. Some of the functions of the Co-operative Section of the Ministry are:

- a) Provision of support services to all organisations working in the field of co-operative development.
- b) Provision of educational training for staff of the organisations to make their grass-root services to co-operatives more professional.
- c) Facilitating information sharing between all actors in the field of co-operative development.
- d) Provision of advice to those organisations involved in co-operative development.
- e) Provision of an input in curricula training sessions, workshops, seminars and conferences regarding co-operatives.

The Co-operative Societies Section in the Ministry of Commerce and Industry is also involved in direct support services to emerging co-operatives. This is achieved

through the provision of general advisory services in accounting, auditing, in project appraisal and evaluation, and general project monitoring. These services are usually provided on request.

## **6. CONCLUSION**

Given the importance and contribution of co-operatives to the national development, it is imperative that the government should assist in co-operative development through creation of a conducive environment. This noble task can be achieved by the revision and reformation of the existing legislation and replacing it with a more friendly policy that will benefit the co-operators. Since the early 1940s co-operatives have been in existence albeit with little assistance from government and that's why most of them have failed. To revive the co-operative movement, the Government of Malawi has started reviewing and is in the process of formulating a new co-operative policy.

## **IV.5 HUMAN RESOURCE DEVELOPMENT AND CO-OPERATIVE REFORMS**

*By*

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### **1. INTRODUCTION**

The modern co-operative institution has its roots among ordinary/common people. It has and still remains a mechanism of defence, betterment and emancipation.

Co-operatives have existed as formal institutions since the early years of the nineteenth century. They have been organised to meet virtually all the social and economic needs of people. They have also played, are playing and will continue to play, a major role in improving the lives of people around the world. Their future is limited only by the capacity of their leaders, managers and members to envision what might be and to plan for what is possible, and to marshal resources for it.

The human capacity in co-operatives has to form the basis for coping with the challenges that co-operatives now face. Indeed, in an organisation like a co-operative, the most important resource (or asset) is the human resource i.e. the people who own, staff and lead the organisation. The human resource is the most important resource because it makes the other non-human resources productive, because without good human resource management, even the best-equipped and well-financed organisation will not function well.

The decisive factor for good functioning in an organisation consist of the development of human resources in such a way that all related persons can contribute to, participate in and be informed and/or effectively and efficiently manage the activities of the organisation. By achieving this in a co-operative, human resource development (HRD) becomes not only a concept going beyond education and training but also becomes a productive factor for the economic viability of such organisations.

Raising the level of knowledge, qualifications and skills enables increased productivity, which in turn enables economic growth and the improvement of the (people's) standard of living.

## **2. CONCEPT OF HRD**

The HRD concept is very similar to the concept and principles of co-operation which also emphasise development of people as members, leaders and managers of a co-operative organisation.

Indeed, in the context of co-operatives, "Co-operative HRD" is defined as "all planned information, education, training, mobilisation and manpower development activities under-taken by co-operatives, so as to create economically efficient organisations, capable of providing services to members".

## **3. THE ROLE OF HRD FOR CO-OPERATIVES**

Co-operatives usually start as organisations of people with limited material resources which are not sufficient for creating a viable individual business, or for individually obtaining consumer goods, finance and production inputs, or for individual marketing of produce. Human resources therefore are the foremost factor for all types of co-operatives.

HRD, which includes recruitment and placement of personnel development and career planning, systems of individual performance measurement and training and skills upgrading became therefore an important element of co-operative policy.

The objective of HRD in co-operatives is to enable them to become economically viable in a competitive market economy. However, it must be remembered clearly that HRD is only one component that determines the economic viability of co-operatives. HRD has to be combined and co-ordinated with other factors, such as finance, and adequate legal and political framework and the supply of inputs and marketing opportunities. The persons involved in co-operative management and promotion have to undergo continuous education and training which enables them to widen their views and apply a more holistic approach to co-operatives in a changing environment.

## **4. THE CHANGING ENVIRONMENT**

The co-operatives in many parts of the world are now facing changes in their environment to a degree they have not experienced before. The economic reforms being undertaken will open up the markets, where the co-operatives in many instances have operated virtually unchallenged, for other actors. Administrative pricing systems are being abolished and market forces will now determine prices. Borders are opening up for increased export as well as import. National currencies are being adjusted so as to get away from artificial rates of exchange. Government

expenditures will have to be drastically reduced and the involvement of the state in economic life will need to be curtailed.

Those co-operatives which enjoyed preferential treatment or received subsidies for their operations will have to do without these in the future. The structural adjustment programmes, undertaken at the initiative of the IMF and the World Bank, aim at restricting the national economies so as to put them on a sound footing. Much can be said about these programmes: the doubts about their effects, the impact on the poorer strata of the population, etc. However, for the purpose of this paper, it will be sufficient to make two observations:

- ⇒ First, the specific designs and the pace by which they are implemented and show profoundly they penetrate or affect the societies, differ from country to country.
- ⇒ Second, they will all affect the co-operatives to a greater or lesser extent because one of their fundamental components encompasses liberalisation of the market. For the co-operatives, this means that many of them will have to face competition for the first time.

Simultaneously, we are witnessing in many countries a move towards greater political democracy. It is believed that new Governments tend to be less inclined than the Governments they replace, to look upon co-operatives as instruments for their own policies. This means that the often close linkage between the co-operatives and the Government will be weakened or severed, which is a fundamental departure from the past.

## **5. IMPLICATIONS FOR CO-OPERATIVE HRD**

Assume wide responsibilities and respond more effectively and efficiently to their members' needs:

- Intensify their interaction with members in terms of information and communication;
- Make the members understand the principles and practices of co-operation;
- Ensure that the participation and commitment of members is continuously increased/enhanced;

Hence, the need for intensified education and mobilisation programmes for members and particularly for women and youth which, to a great extent have been overlooked but are essential to the overall success and development of co-operative movements.

Furthermore the increasing needs for quality products and services by the members and the competition faced by co-operatives require that staff are able to perform far



better, by adopting modern technology and management systems and techniques. Also the work environment of employees needs to be substantially improved so as to respond to their personal aspirations in terms of remuneration, motivation and future prospects. Management must be professionally carried out. Co-operative managers should recognise that their role is to generate development besides the traditional management role. The leadership of the organisation must be made up of committed and informed persons with the same objectives as the ordinary members. Both the managers and the committee members should have business acumen and orientation, including entrepreneurship.

In this regard a professionally sound programme of continuous member education and leadership as well as staff development is imperative.

Members must fully identify with their co-operative and control it. The idea to form the co-operative should come from them, arising out of a clearly defined common felt need. They should undertake and actually commit and contribute resources that will enable their organisation to have realistic chances of success. They must patronise the organisation by using and paying for its services. Most importantly, they must seriously and knowledgeably participate in the democratic processes of their organisation.

## **6. HOW CAN CO-OPERATIVES BE EFFECTIVE?**

Co-operative societies are member-oriented, member-financed, and member-controlled. If the rules according to which co-operatives work are not known, the members can not play an active role in them and they, the co-operatives, cannot develop.

If co-operatives are financed and controlled from outside, the members do not feel committed (and may not even be allowed) to play an active role in them.

On the other hand, where members derive a benefit from membership, this will encourage them to continue to participate in the activities of co-operative societies and will attract others. This will set the self-help mechanism into motion:

Where the co-operators do not know, accept and respect the new rules of working together the co-operative way, the norms of behaviour governing customary community groups penetrate the co-operative societies, making it impossible for co-operatives to work effectively.

Hence, information, education and training with regard to co-operative principles and practices are indispensable preconditions for enabling individuals to understand the mechanics of self-help and to work together in co-operative societies. From this point

of view, investment in co-operative education and training is a direct investment in the mobilisation of human resources for development.

There should be education and training programmes for managers and leaders particularly to make them aware that they will in future depend on themselves to make crucial decisions and even look for markets for their products, abroad in unfamiliar and competitive environments.

## **7. HRD CHALLENGE AND STRATEGIES IN THE ERA OF CO- OPERATIVE REFORMS**

The third and fourth ICA African Ministerial Conferences held in 1990 and 1993, respectively, noted, among other things that "Human Resource Development should continue to receive great attention in the Region".

It was emphasised that comprehensive programmes for member development, leadership development and staff training were required on an increasing scale. A number of strategies were discussed:

- The identification of co-operative HRD needs in the region,
- Strengthening existing co-operative training institutions and setting up others where they do not exist;
- *Enabling co-operative colleges to organise and conduct tailor-made courses for high level managers and specialised courses - both at national and regional level,*
- Introducing exchange programmes for trainers in co-operative colleges and study visits for co-operative leaders. Introducing and implementing modern personnel policies, including staff development programmes and competitive terms and conditions of service;
- Devising alternative sustainable ways to finance co-operative HRD;
- Governments to continue supporting co-operative HRD programmes, especially where co-operative movements are still unable to adequately finance them;
- Professionalising staff to cope with modern complex and competitive business practices;
- Adjusting co-operative HRD programmes and activities to accommodate the needs of the informal sector;
- *Exposing the youth - especially those in schools - to modern co-operative ideals and practices.*
- Strengthening co-operative endeavours through professionally conducted leadership training.

- Ensuring the participation of women in co-operative membership, decision-making and benefits.

## 8. COMMUNICATING THE MESSAGE

Co-operatives frequently stop short with surprise when they find that many otherwise well informed people outside the movement know little or nothing about co-operatives. To leaders in co-operative enterprise, their organisations may appear all-important; to the general public not directly involved in them, co-operatives are more likely to be something they may have heard about but understand only vaguely. The fact is, that co-operators know how to talk to one another but not to others; they do not seem to communicate easily outside the co-operative circle. The result is great lack of understanding, and often misunderstanding, in places of influence where support is badly needed in the universities, in government, among economists, journalists and opinion-makers in the mass media.

It is therefore necessary that for:

### a) Potential Members:

*Co-operative knowledge and information be disseminated among potential members and the public at large.*

### b) Policy-makers:

Policy makers in government ministries/departments and development agencies be made aware of co-operative HRD and other co-operative development policies.

## 9. THREATS AND POSSIBILITIES

One of the main providers of HRD services are the Co-operative Colleges. The Colleges have as a rule been owned and controlled by Governments. The situation is changing rapidly with Governments pulling out of the Colleges. It can be foreseen that HRD products and services will be needed and demanded even more.

Unfortunately most of the Colleges have no clear strategies and plans for survival after the Governments pull out. Many are already facing difficulties. Possible collapse of these institutions poses a threat to the effectiveness of the HRD Services.

HRD and gender issues are considered fundamental to co-operative and general development. This gives an opportunity to get more donor support and to do even more.

The lack of clarity on concepts, methodologies and focus on gender questions poses a threat to effective and efficient development intervention by ICA, ILO among many others.

The changing environment will require that the 'people' in co-operatives change. This will offer an opportunity and even a challenge to the HRD providers.

Many co-operatives do not invest in co-operative HRD, for one, it does not show immediate targeted benefits, for another they have depended on other people (donors, Govt.) funding it.

There is a general decline in the reading and writing habit in the region. A particular threat is the apparent reduced interest in materials of direct relevance to co-operative reforms.

The capacity, facilities and manpower resources at national co-operative training institutions are far from adequate to cope with new technologies and systems, and in particular to co-operative organisations.

Local and regional capacity for leadership management training is not yet matching required standards.

Poorly motivated co-operative HRD professionals.

Selected achievements in HRD in the region.

HRD is an essential input and prerequisite for co-operative development and self-reliance.

Although there has been a general acceptance in the region of the need and value of HRD for co-operative movements, this has yet to be translated into effective programmes.

- For the major part of the Co-operative Development Decade (1985-1995) most co-operative HRD has continued to be the responsibility of government in the co-operative training institutions in Botswana, Swaziland, Kenya, Uganda, Zambia and Mauritius.
- In Zambia it is notable that in 1993 for instance, the co-operative movement started to play a major role in co-operative HRD including the redesigning of HRD programmes to better reflect the needs of the general membership.
- During the second half of the decade, many secondary and tertiary co-operative organisations together with the co-operative training institutions were sensitised in the value, and potential of promoting and conducting member education, utilising methodologies which enhance member participation, like the co-operative member participation programme.
- Since 1994 the Kenya National Federation of Co-operatives has been implementing a management approach which prepares co-operative organisations in management in competitive environment. The Management Analysis Participatory Programme(MAPP) is a new approach to co-operative

management training. It is an exposure programme which enables participants to gain from the experience of managers from more advanced co-operative organisations within the country or from abroad. MAPP also promotes institutional links between organisations.

- Collaboration, networking and the forging of closer ties among and between co-operatives training institutions was another aspect of HRD progress during the CDD.
- In 1992 for example, a formal memorandum of understanding for collaboration was signed between co-operative training institutions in Kenya and Tanzania. The collaboration and networking has been extended to colleges in Zambia, Swaziland and Uganda. A number of joint activities including staff exchanges, study materials exchanges, participation in symposium involving the four countries. The networking has been extended to other countries in the region.
- Through the ILO COOPNET and the ICA Regional Office many education and training programmes were implemented during the CDD. Such programmes not only supplemented those of the national institutions and co-operative movements but also provided facilities for co-operative HRD at levels and in fields which were beyond the capacities and facilities of the national institutions.
- Some of the programmes have included training co-operative trainers and field workers whose training needs have usually not been catered for by the national institutions.
- Considerable effort has been made in the development skills among co-operative trainers - especially in training methodology and techniques, production and use of training materials and aids, training needs assessment; organisation; management and tutoring through distance education; methods in field education and co-operative insurance; banking and credit, inter-co-operative trade and export marketing and research. Strategic planning, co-operative development and policy issues have also featured significantly in the human resource development programmes of the ICA and the ILO.

## **10. CONCLUDING REMARKS**

HRD is the essential input for co-operative development and self-reliance. Although there is a general acceptance of the need and value of HRD for the co-operative movement, this has not always been translated into effective action programmes in most of the co-operatives and by the other providers of co-operative HRD.

For increased member participation, efficient management of co-operatives and improved living standards of the members and their families, HRD activities must be intensified.

The main thrust of co-operative HRD should be on member development and member participation, which should ultimately result in better leadership, better management and efficiency in co-operatives.

To have the required impact, co-operative HRD programmes must be well structured with well defined strategies and activities.

## **IV.6 CASE STUDY ON CO-OPERATIVES' DEVELOPMENT IN ETHIOPIA AND THEIR ROLE IN RURAL DEVELOPMENT**

*By*

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### **CASE STUDY ON CO-OPERATIVES' DEVELOPMENT IN ETHIOPIA AND THEIR ROLE IN RURAL DEVELOPMENT**

The agricultural sector is providing livelihood for about 97% of the entire population in Ethiopia. It accounts for 45% of the GDP. The bulk of food is produced by subsistence farming.

Development is a continuous process of socio-economic changes that deals mainly with altering the action and attitude of human beings and improvement of institutions. Institutional improvement, including agricultural service or producers co-operatives requires taking into account organisational, economic, educational, environmental factors in addition to the human element.

Ethiopia has a very large and poor rural population whose traditional mixed farming is seriously threatened by over-crowding, diminishing holding size, and deterioration of soil fertility and erosion. Ecological deterioration, lack of appropriate technology and services for increased productivity are major rural problems.

Development is essentially a process of changes from autonomous status to organised optional ones. People trapped in illiteracy, poverty and suffering from an extreme of material and social deprivation tend to loose impulses of awareness and motivation. This deprivation makes them weak, isolated, vulnerable and powerless.

Co-operatives play an important role in influencing those people (rural population) towards social and economic changes in terms of adoption of innovations and offer unlimited possibilities for their participation in economic resurgence.

When financing agencies and governments of developing countries looked for institutions capable of implementing rural development projects they have found few other than co-operatives. Consequently, co-operatives in Ethiopia if wisely handled can be used as development means specially for the rural poor. In addition it influences productivity and creates many job opportunities.

In previous years very few agricultural co-operatives in Ethiopia did participate in the supply of farm inputs, marketing of industrial goods and agricultural produce. If due attention is given to them in organisational and other technical aspects, co-operatives play positive roles in the mobilisation of rural resources, protection of environment and above all create conditions for the participation of the rural people in the planning and implementation of their own development projects rather than being an agent for the government.

The majority of rural poor sells their agricultural produce to middlemen for a very low price. They travel distances to find markets. Farmers sell their produce in harvest time - when supply is very high, thereby lowering demand and prices. Hence it is believed that if co-operatives are engaged in marketing activities, they will render important services to their members. From proper market services comes additional income which can serve as an incentive to increase productivity.

Present financial institutions are urban oriented. However, to mobilise wider financial savings and render development oriented credit services to the rural poor, it is very important to discuss the possible option or steps taken by different countries to solve such problems after structural adjustment programmes have been launched in their own countries.

The activities mentioned above had been implemented by very few agricultural service co-operatives (supply of input, marketing of agricultural produce and industrial commodities) in the country, however, how can we make co-operatives real "members' organisations" so that farmers will get the utmost advantage from their own economic activities.

The other challenge that our agricultural service co-operatives face is that they can not compete in the open market, therefore what do you advise for certain kind of cases so that co-operatives could act as a means for rural development.

## **ISSUES FOR DISCUSSION**

1. For example in our country co-operative promotion divisions or departments are structured under different ministries for example:
  - Agricultural coops within the Ministry of Agriculture.
  - Thrift and credit coops within the National Bank.
  - Housing coops within the Ministry of Urban Development
  - Handicrafts and small-scale industries with the Ministry of Trade & Industry etc. Therefore does this enhance or accelerate the development of coops., if not, what is your comment?



2. How could you make primary co-operatives competitive in an open market economy?
3. How does the experience of other countries look like as far as the development of rural credit policy is concerned?
4. How do co-op development strategies look like in a country with federal structure, and what is the relationship of regional states with federal government offices.

## **ANNEX V: OPEN FORUM**

### **STRUCTURAL ADJUSTMENT IN ASIA AND THE RESPONSE OF CO-OPERATIVES**

By

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#### **1. INTRODUCTION**

A co-operative is the creation of its environments; the circumstances of time and place help develop conditions, which ultimately result in the organization of a truly genuine cooperative. Such conditions also decisively and comprehensively influence orientation and objectives, role and activities, and scope and relevance of a co-operative. As Laidlaw wrote:

*„Like other institutions, co-operatives tend to take their character and features from the general environment in which they exist. They have the chameleon power of matching or imitating the colour and hue of the milieu in which they are located and have to live. Thus, every co-operative is in some way or another a reflection of a certain cultural and political background, and indeed must fit into its own society in order to survive. This accounts for the considerable difference in co-operatives from one country to another, and seen from the global perspective the variation is great“.*

In fact, in many ways, every economic organisation is a reflection of the attitudes of people, who are its stake-holders, and the past traditions and culture of the society. Attitudes however change with levels of education, general health, incomes, and social and economic security. Consequently, pro-active economic organisations do tend to seek to change and adjust and strike new relationships with the external environments.

In order to properly position co-operatives, redefine their essential attributes and features, and describe the required ambience for their effectiveness in the emerging environments, it is necessary first to gain an understanding of these environments - how these are changing, and what shifts are taking place, or, are in the offering. Only then can one study the response patterns of co-operatives to these environments.

Most developing countries in Asia had been wedded to state-sponsored planning for their development. The first change in the socialist ethos occurred in Sri Lanka in

1977, when a market-friendly, pro-free-enterprise political party came to power. Soon other countries, particularly in East Asia, followed suit and gradually started opening up and restoring the earlier tilt towards centralised planning, regulated markets, and heavy reliance on public enterprises for hastening growth.

These changes and shifts, particularly in South Asia, are still at a low key, as compared to the radical changes that some of the countries in Africa had to accept and introduce in their economies under external pressure.

### **Shift in Paradigm**

After the collapse of USSR and the economies of East European countries, the ruling elite came to accept the new paradigm, which stood for liberal democracy, free market economy and private profit, as against the then dominant paradigm which, while accepting liberal democracy also upheld the virtues of caring and sharing, harnessing of collective effort for general social good, growth with social justice, with a definite role for the state in the economy. The full impact of the new paradigm is yet to manifest itself; but it had the politicians in power already talking in terms of economic changes with human face, meaning thereby that some state control and direction in the economy would perhaps remain inevitable.

### **Structural Adjustment Programmes (SAPs)**

The current structural adjustment measures which most of the developing countries in Asia are being encouraged by different international development agencies to adopt, are being assimilated in phases. Of late, however, there is growing realisation:

- there are no quick solutions to the economic problems in developing countries;
- social concerns are important and must be addressed as a part of the adjustment process;
- national consensus is necessary for adjustment programmes to be successful;
- and social dimension should be incorporated in economic reform programmes.

## **2. CONSEQUENCES OF CHANGES IN ENVIRONMENTS ON RURAL CO-OPERATIVES**

Somehow the winds of change have been slow in blowing over in Asia; and the developing countries have not faced any serious and adverse consequences as some countries elsewhere in the world have to face, or, are even facing today. The approach to acceptance and implementation of these changes by governments have been gradual implementation of these changes by governments have been gradual and slow. The Indian Prime Minister has talked of the middle path, meaning thereby that some control of the government on the economy would have to continue and the

government would have a social safety net created to mitigate the hardship of the people likely to be effected by these changes.

There is, however, no denying the trend, which is unmistakably towards liberalisation, privatisation and deregulation. As a result decoupling of sorts between the state and private initiative could be discerned in the civil society and the economy. The governments are working towards opening of the economy to foreign competition and foreign investment; tariffs are being lowered; foreign capital is ardently wooed and multi-national corporations are now welcomed - but all in phases and under government's direction. Similarly, appropriate policy level changes are being introduced to create level playing conditions for all economic players in the market place; and the regime of controls, licenses and permits under which the governments determined the pace and pattern of the economy and prioritised economic investments are being gradually dismantled. Though parastatals have not yet been privatised, and public sector enterprises continue to be fully owned by the governments, there is a growing demand that governments withdraw and leave the future of such organisations to the initiative and enterprise of private corporates and market forces.

Another pressure, that is slowly building on governments is to do away with subsidies and concessions given to farmers, consumers and other sections of the communities. This together with the suggestion to prune public bureaucracy are being advocated to enforce fiscal discipline and control inflation.

Rural services might eventually be cut, e.g. agricultural extension, credit services, rural subsidies; but only a reckless politician would dare to do so in the near future. Concerned with the political fall-out of such steps however, governments in the Asian Region, have so far been reluctant to go ahead full steam with the reforms.

It can thus be summarised that though the new, emerging environments might appear to threaten to impinge upon rural co-operatives, yet in practice rural co-operatives particularly continue to be protected, supported and financed by governments. But, at the same time, it is likely that the following scenario is gradually emerging:

- Financial subsidies and support from the government to co-operatives might cease, but that would take place only selectively and gradually.
- The role, functions and powers of the Registrar of co-operative Societies (and the Department of Co-operatives) would be curtailed;
- As a result of privatisation and liberalisation, co-operatives would face increasing competition.

- Because of drying up of government subsidies and capital grants, co-operatives would have to devise ways to mobilise capital from internal sources as well as raise from external sources.
- Deregulation and privatisation of parastatals would create opportunities for co-operatives to enhance their range and scope of their operations.
- Due to increase in corporate power under the new dispensation, many sections of the community would be attracted to voluntary organisations like co-operatives, provided they retain their genuine character and provide efficient services.
- Vast sections of the communities, which would be adversely effected by the economic reforms and changes, could be encouraged to organise themselves into co-operatives to promote and safeguard their interests;

In the beginning of the 90s, grand edifices of officially registered and supported co-operatives could be seen in all countries in the region. These co-operatives performed a useful, though limited role in some pockets and in some selected economic fields. A majority of co-operatives though did not possess any innate strength or real capabilities. Weak leadership, poorly paid and untrained staff and indifferent membership have often been identified as the main reasons for this situation.

As of to-day, many co-operatives, dependent, structured and linked to parastatals as these are, are hardly in a position either to survive in the ensuing competitive environments or to promote and safeguard the interest of people who are adversely affected in the new environments. Thus both governments as well as co-operatives are in the process of strategically repositioning themselves in the new environment. Moves are afoot to bring about appropriate changes in the operating conditions so that prevailing legislation and regulations and widespread prevailing practice of governments' supervision and control do not stifle them and stunt their growth.

### **Positioning Co-operatives in the Emerging Environments**

The consensus in Asia seems to be that development and promotion of co-operatives, at least of rural co-operatives, should continue to be areas of concern for public policy. But, at the same time, co-operatives need to be repositioned in the new economic environment, so these can enjoy more autonomy, assume greater responsibility for survival and growth, and also become more responsive to their members. But, governments would not completely disengage themselves, at least from rural co-operatives.

Globally, co-operatives are already busy, in redefining and repositioning themselves in order to retain social relevance and ensure and enhance efficiency and effectiveness, while serving their members. The ICA Statement on Co-operative

Identity provides the basic co-ordinates which now define a co-operative and shape and influence its behaviour pattern, its governance and management structures, its capital mobilising and raising strategies, and framework of its operations and activities.

What are the dominant features of the immediate national/local environment that co-operatives in Asia are gearing themselves to address in this process of repositioning themselves?

A trend analysis of recent developments would seem to indicate:

- There is realisation that because of a combination of changing socio-economic, political and historical factors governments might selectively withdraw their financial and policy support from different types of co-operatives.
- Co-operators believe that without conducive legal, administrative, and operating environment and appropriate governance structures, co-operatives would not be able to retain their social relevance, improve economic efficiency, and survive and grow.
- Since different types of co-operatives e.g., financial services co-operatives, agricultural supply and marketing co-operatives, consumers' co-operatives, and service co-operatives are affected differently by the new environment, each type is fashioning its own distinct response pattern.
- As achieving real "autonomy" (which is sustainable in a financial sense) by co-operatives would require increased emphasis on member-financing, access to capital and credit would be a crucial determinant of their competitive strength.

### **3. SOME RECENT TRENDS**

Some specific instances of co-operatives coping with aftermath of structural adjustments in Asia are given below.

#### **3.1. Governments Distancing themselves from Co-operatives:**

##### **3.1.1. The Case of the Philippines**

The Government of the Philippines has enacted the Co-operative Code, which states:

Article 2. Declaration of Policy -

*„It is the declared policy of the State to foster the creation and growth of co-operatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social*

*justice. The State shall encourage the private sector to undertake the actual formation and organisation of co-operatives and shall create an atmosphere that is conducive to the growth and development of these co-operatives.*

*Toward this end, the Government and all its branches, subdivisions, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and their services to enable said co-operatives to evolve into viable and responsive economic enterprises and thereby bring about strong co-operative movement that is free from any conditions that might infringe upon the autonomy or organisational integrity of co-operatives.*

*Further, the State recognises the principle of subsidiarity under which the co-operative sector will initiate and regulate within its own ranks the promotion and organisation, training and research, audit and support services relating to co-operatives with government assistance where necessary“.*

The Co-operative Code further includes the Article 124 on Penal Provisions. This article in part reads:

*„The following acts or omissions affecting co-operatives are hereby prohibited:*

*(2) Direct or indirect interference or intervention by any public official or employee into internal affairs of co-operative of which he is not a member, such as, but not limited to the following:*

- (a) Influencing the election or appointment of officers, directors, committee members, and employees through public or private endorsements or campaign for or against any person or group of persons;*
- (b) Requiring prior clearance for any policy or decision within the co-operative;*
- (c) Requesting or demanding for the creations of position or organisational units, or recommending any person for appointment, transfer, or removal from his position; or*
- (d) Any other acts inimical or adverse to the autonomy and independence of co-operatives.*

*In case of violation of any provision of this subsection, the individual or individuals, and in the case of organisations, its officers, and directors shall, upon conviction by a court, each suffer a penalty of not less than one (1) year but not more than five (5) years imprisonment or a fine in the amount of not less than five thousand pesos (P5,000.00) or both at the discretion of the court“*

That really draws a line, that no staff of Co-operative Department dare transgress.

The Code confines the statutory role / powers of the Co-operative Development Authority (read the Co-operative Department in the wider Asian context) to the following:

- Registration
- Prescribing the forms and contents of the Annual Report
- Dissolution of co-operatives
- Publication of a list, every year, of co-operatives in existence, under dissolution and whose registration is cancelled during the year

These functions are as simple and short as these can be; no co-operator can expect anything simpler, nor ask for anything more. In fact, the statutory role of the CDA, Philippines comes closer to the conclusions arrived at by some co-operators in an ILO sponsored Colloquium on the Relationship between the state and co-operatives in co-operative legislation. The views of these co-operators included in Conclusion 2: Co-operative Legislation and State Control read as:

*„Many consider co-operatives as being private business organisations of mature citizens, which have to work on their own with the chance to succeed and risk to fail. The advocates of this approach see state control over co-operatives not only as unnecessary but as detrimental. They argue that for decades state control has been misused for administrative or political purpose, that it is expensive and largely ineffective and does more harm than good“.*

Accordingly, extensive government services for supervising co-operatives (like co-operative departments) should be abolished (as has been done during the last few years for instance in Senegal and Cameroon) and replaced by simple registration services, leaving promotion work, auditing to co-operative organisations or NGOs and disputes to be ultimately settled in court. Absence of a government machinery for co-operative development and supervision would encourage the co-operatives to develop their own support system

### **3.1.2. The Case of Andhra Pradesh, India: A new, more Liberal Legislation for Co-operatives**

Co-operative legislation had often been cited as the prime cause for the emergence of genuine, peoples' centred co-operatives. In order to facilitate the organisation and functioning of genuine, self-reliant, and autonomous co-operatives, the state government of Andhra Pradesh enacted the Andhra Pradesh Mutually Aided Co-operative Societies Act of 1995. This law is in addition to the existing, typical British-



India Co-operative Societies Act of 1964. Some striking differences between these two laws can be seen from the following:

### Comparison of Andhra Pradesh Co-operative Laws of 1964 & 1995

Andhra Pradesh Co-operative Societies Act, 1964	Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995
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#### 1. Role of the Government

<p><i>Appoints Registrar; directs Registrar; may provide share capital and financial assistance; postpones elections; exempts co-operatives from legal provisions; nominates directors to boards; appoints persons-in-charge for state level federal co-operatives; frames rules; handles appeals, revisions, reviews; gives directions to co-operatives regarding reservations of staff; holds equity in co-operatives; sets up special Courts and Tribunals;</i></p>	<p><i>Appoints Registrar; may not provide share capital, but may provide other funds and guarantee to co-operatives based on memorandum of understanding that it may enter into with co-operatives; sets up Tribunals and Special Courts;</i></p>
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#### 2. Role of the Registrar

<p><i>Registers co-operatives at his discretion; registers bye-laws; approves transfer of assets and liabilities, division, and amalgamation of co-operatives; can compulsorily amalgamate, divide, etc.; can classify co-operatives, amend bye-laws compulsorily; can admit members; must approve of expulsion of members; disqualify committee members; can call for special general meetings; conduct elections; supersedes committees, give directions to co-operatives, fix honorarium payable to president; approves banks in which accounts can be opened, must approve investments in its own business; audits, inspects, inquires; can summon documents; surcharge committee members; suspend officers; settle disputes; liquidate and cancel registration; hears appeals and revision petitions, can constitute staff cadres, approves staffing pattern; must approve appointment / removal of chief executive of co-operatives which has received government aid;</i></p>	<p><i>Has to register co-operatives and its bye-laws if these are in consonance with the Act; registers amendments only to certain bye-laws; convenes general body meeting where a board fails to do so in stipulated period; receives annual reports and audited financial statements; can conduct special audit where non-members funds are involved; hold inquiry; can recommend dissolution of a coop to the Tribunal if it works in contravention of the Act and Principles of Co-operation;</i></p>
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### 3. Rules

<p><i>Government is empowered to make rules every subject covered by the Act;</i></p>	<p><i>There is no rule making power with the Government; all affairs of a coop are to be regulated by the provision of the Act and the bye-laws of the coop;</i></p>
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#### 3.2. Privatisation of Co-operative Support Services

There are strong moves to privatise the three main co-operative support services, namely, audit, training, and consultancy services. These services had traditionally been provided by government departments.

##### 3.2.1. Audit

For instance in Nepal, until 1992, responsibility for auditing of co-operatives was that of the Registrar of Co-operative Societies and the field staff. But the new Co-operative Societies Act of 1992, inter alia, provides:

**„Art. 37: Audit of Accounts**

- (1) *Every Society or Union shall, within three months of the termination of each fiscal year, have its accounts audited by a registered auditor approved by the Registrar or an officer designated by him.*
- (2) *Notwithstanding anything contained in Sub-Section (1), the General Assembly of the concerned Society or Union may, with the approval of the Registrar, appoint a registered auditor and get its books of accounts audited by him.*
- (3) *While appointing an auditor under Sub-Section (2), the same person or company shall not be appointed for more than three times consecutively.*
- (4) *The audit report shall have to be submitted before the General Assembly for approval.*
- (5) *The General assembly may, in case it disapproves the audit report submitted under Sub-Section (4), appoint another auditor and order an investigation therein, or get its accounts re-audited.“*

Accordingly, under the new Act, the responsibility for getting the books of accounts audited - timely and periodically - has been shifted to the co-operatives themselves.

### **3.2.2 Training**

The co-operative training systems in the developing countries in Asia have been dependent on financial assistance from the Government if not actually a part of the Department of Co-operatives of the Government. But, in the wake of wider changes now taking place and clear signals emanating from the Governments that such systems should no longer expect Governments to finance them, co-operative training institutions have begun to charge fees from the sponsoring co-operatives. During the year 1995-96, the mainstream co-operative training system in India earned as much as 20 per cent of its total annual expenditure. Similar is the case in Sri Lanka and Malaysia. In Thailand, co-operative staff training is almost wholly privatised. In Nepal, an independent consultancy organisation has recommended that the co-operative Training Centre should aim at becoming financially self-reliant.

### **3.2.3. Co-operative Management Consultancy**

In Sri Lanka, the Sri Lanka Institute of Co-operative Management - the government sponsored co-operative management consultancy centre - now routinely charges for the services that it renders, although government still meets a bulk of its expenditure. But, the trend is unmistakable: to be free from dependence on the government and become financially self-reliant.

It is thus trying to become more responsive to needs of co-operatives, more professional in this approach, and more careful while committing its resources.

### **3.3. Emergence of NGOs for Co-operative Development**

Besides the international NGOs, there are several national/local level NGOs, which now promote and support co-operatives. SEWA - Self Employed Women's Association, in Ahmedabad, India is a registered trade union. Its aim is to get a fair deal for the self employed women in the informal sector. Creating banking and credit facilities for the poor self-employed by organizing a women's co-operative bank, was among the first development efforts spearheaded by SEWA. SEWA has promoted 61 women co-operatives and a federation of these co-operatives. The federation provides services in technical and managerial areas, assists in production, storage and acquisition of raw-materials, product designs, sale of goods and services. Among the co-operatives promoted by SEWA are a co-operative bank, handicraft co-operatives, dairy co-operatives and consumer co-operatives, housing co-operatives and transport co-operatives. More than 25,000 women are directly involved in these co-operatives.

Another NGO of somewhat different nature, but engaged in the promotion of village level agricultural primary co-operatives is also to be found in India. It is named as Co-operative Development Foundation (CFA). Its activities include: co-operative advocacy; co-operative promotion and development; and co-operative financial support. It was the CDA efforts that ultimately resulted in the enactment of the Co-operative Societies Act in Andhra Pradesh. Another equally effective NGO is in Philippines - National Confederation of Co-operatives (NATCCO). NATCCO Mission is to institutionalise cooperativism in the socio-political-economic life of the people, and to bring forward a strong and viable co-operative sector and movement through the establishment and maintenance of a co-operative confederation. It supports a large number of co-operatives through advisory services, training and auditing services.

An interesting innovation in promoting independent co-operatives has been the launching of the Co-operative Initiative Project (CIP) in India. The Mission of CIP is to develop a strong constituency of informed, principled and committed leadership which could and would play a major role in reforming the co-operative environment and, thereby, the co-operative movement in India.

### **3.4. Attempts to Create Co-operative Companies**

In some countries, where larger co-operatives feel a little hemmed up due to frequent interference and tighter control by the official of the Department of Co-operatives of the government, attempts have been made to re-register co-operatives as public companies under the Companies Laws. In Singapore, this has been done in the case of Comfort - taximen co-operatives. In India, a strong case was made to include a special chapter in the Indian Companies Law to permit the registration of Co-operative Companies. The feeling is that only when co-operatives enjoy the same freedom of action as private companies do, would the level field conditions be created.

### **3.5 Rediscovering the Role of Primaries**

In many countries, there is renewed interest in the role of primaries, unlike in the past, when either there was interest in the co-operative structure or federal co-operatives. Now, of-course, the virtues of the primary co-operative that alone interacts directly with individual membership are not only recognised but also even praised. The general talk is to make primaries autonomous, self-reliant and self-governing. There is even some discussion to let primaries choose if they would like to affiliate to a federal co-operative.

## **4. WHAT HAS NOT HAPPENED**

### **4.1 No pruning of the Department of Co-operatives**

Despite the widespread strong perception that the role of the governments was redefined in the wake of regulation and liberalisation, vast numbers of staff in the department of co-operatives continue to supervise, inspect and control co-operatives. There were more than 13,000 public servants for 40,000 co-operatives in Indonesia; 600 public servants for 2000 co-operatives in Nepal; 10,000 public servants for 140,000 co-operatives in Maharashtra state in India; and 6000 public servants for over 4,000 co-operatives in Thailand. No pruning of these vast numbers was either planned nor foreseen. The over-sized departments with limited expertise continue to meddle with the internal working of co-operatives in almost all countries of Asia.

### **4.2 No change in the instrumental role of co-operatives**

Co-operatives in all the developing countries had been traditionally used as instruments for delivery of state-determined services at state-determined operating margins, and state-determined clients. This use of co-operatives as instruments continues to be resorted to by the governments, thus negating the very essence of co-operation - autonomy and self-governance.

### **4.3 No large-scale cleaning of deadwood**

When co-operatives were organised, supported and financed as a matter of public policy, these were not allowed to die, regardless of the costs involved. Now, that governments were preparing to let co-operatives fend for themselves, non-viable and loss-making co-operatives would eventually die. This has not yet happened. The deadwood continues to remain on records.

### **4.4 No change in the design of structure**

In the past, the co-operative structure was designed in each country on the pattern of administrative lines; each village was expected to have a co-operative, each administrative province was expected to have a federation, each country was expected to have an apex, regardless of criteria of viability, needs, and acceptance. This blue-print approach and design had not undergone any change. The primaries by and large continue to be burdened by the weight of non-servicing federations.

### **4.5 No move toward professionalization**

Co-operatives of all sizes and types continue to be effectively managed by lay directors (often nursing political ambitions) instead of professionally qualified and competent managers. This had been major bane in the past, and would perhaps remain a formidable barrier to cross if co-operatives were to emerge viable

enterprises. In some countries, Co-operative laws bar political leaders who are elected members of any state legislature, but this has not made any real difference to the widespread phenomenon of politicisation of co-operatives, and thwarting of moves toward professionalization.

## **5. LESSONS FROM ASIA**

What lessons can be learnt from the responses of co-operatives in Asia to the structural adjustment programmes?

Some of the lessons are:

### **5.1 Gradual disengagement**

Governments should disengage themselves gradually, keeping in view the harshness of environments in which co-operatives operate, their innate strength and capability, and their resource endowments. Any sudden withdrawal of support by the government is almost certain to prove fatal for co-operatives.

### **5.2 Disengagement should begin with revision of co-operative law**

The one single important reason that has often been cited for the tardy development of co-operatives is the restrictive features in co-operative law. These features have resulted in loss of members' control, government officers assuming responsibility for internal managerial functions; and co-operatives becoming an extended part of the government. Thus in order to help co-operatives to stand up in the new environments, the co-operative laws be suitably amended so that co-operatives could once again become autonomous and self-reliant.

### **5.3 Encourage privatisation of support services**

It would be in the interest of co-operatives if co-operative support services were to be gradually privatised, but without passing on the entire costs of services to co-operatives in a single step. Co-operatives have the resources and willingness to pay for services which they believe are useful and necessary in the long run.

### **5.4 Different co-operatives would receive different treatment**

Governments have larger political goals when they formulate public policies, or decide to assist, or withhold assistance from, a co-operative. Thus it is inevitable that different types of co-operatives receive different types of responses from the governments. Some co-operatives in fact might continue to receive government assistance for many years regardless of what economic and political changes might take place in the wider environments.

### **5.5 Use NGOs for co-operative development**

Co-operatives, particularly at the primary level, would continue to need support, guidance and assistance. Vigorous lobbying might have to be done to create a favourable climate for co-operatives. In the past governments themselves, and in some case these federal/apex co-operatives, played these roles. This might not be possible in the new environments; governments in their anxiety to create level-field conditions simply overlook co-operatives and federal/apex co-operatives might get bogged down in their own survival. In such conditions encouraging NGOs to come forward to provide support in the process of development of genuine co-operatives might prove to be quite rewarding. NGOs have a fairly good track record in Asia in this regard.

So, these are then, briefly, some of the lessons that could be drawn from the experiences of rural co-operatives in Asia.