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REPORT OF A STUDY COMMISSIONED BY ICA EUROPE

Co-operative Adjustment in a Changing Environment In Sub-Saharan Africa

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INDEX

INTRODUCTION	1
SUMMARY	2
THE SITUATION OF COOPERATIVES IN AFRICA	2
I Far-reaching economic transformation with profound impact on cooperative organizations	2
II Political transformation	2
III Economic reforms strike at the base of the cooperative organizations - their business activities	3
IV Ill prepared to meet the challenges	3
V The capacity of cooperative organizations to change	4
A MODIFIED STRATEGY FOR COOPERATIVE DEVELOPMENT	5
VI The basic orientation of the strategy	5
VII Improving business efficiency	5
VIII Gender	6
IX The role of the State	7
X Cooperative development outside formal structures	7
A STRATEGY FOR COOPERATIVE DEVELOPMENT ASSISTANCE	8
XI Basic principles for donor assistance	9
XII Support to adjustment of formal cooperative structures or support to cooperative development outside these structures	9
XIII Grant support to non-business activities	10
XIV Support to cooperatives with a potential	10
XV Support programme ideas	10
XVI The role of ICA	11
XVII Staff development in cooperative donor agencies	11
MOBILIZATION OF RESOURCES FOR COOPERATIVE DEVELOPMENT AID	11
XVIII Internal and external mobilization	11
XIX Mobilization of internal resources from the coops in Europe	12
XX External mobilization - the European Union	13
XXI The European Union and the cooperatives	14
METHODOLOGY	16

CHAPTER I	
THE SITUATION OF COOPERATIVES IN AFRICA	17
1.1	The evolution of the crisis 17
1.2	The causes of the crisis 19
1.3	The cooperative movements and the mounting crisis 20
1.4	The early response to the crisis 20
1.5	The structural adjustment programmes 21
1.6	Implications of structural adjustment for the cooperative movements in Africa 22
1.7	Political transformation 27
1.8	The status of cooperative organizations 28
1.9	The need for change 36
1.10	The capacity and the constraints to change 36
CHAPTER II	
A STRATEGY FOR COOPERATIVE DEVELOPMENT IN AFRICA	42
2.1	Introduction 42
2.2	The role of the State 43
2.3	The cooperative movements 44
2.4	Cooperative development outside the established formal cooperative structures 58
CHAPTER III	
A DEVELOPMENT ASSISTANCE STRATEGY FOR COOPERATIVE DEVELOPMENT	61
3.1	Assistance on a Movement-to-Movement basis 61
3.2	Partnership in cooperative development 61
3.3	The donor as a supporter, the receiver as an executor 62
3.4	Assistance without creating dependence 63
3.5	The choice between transformation/adjustment of existing cooperative organizations and cooperative development outside these structures 64
3.6	Considerations of relevance for support to informal cooperative activities 65
3.7	Only support to organizations with a potential 66
3.8	Grant support to non-business activities 67
3.9	Support programme ideas 67
3.10	The role of ICA 70
3.11	The staff of cooperative donor agencies 72
CHAPTER IV	
MOBILIZATION OF RESOURCES FOR COOPERATIVE DEVELOPMENT AID	73
4.1	Introduction 73
4.2	Role of and sources of capital 73
4.3	Mobilization of internal resources from the cooperatives in the North 75
4.4	External mobilization - the European Union 80
4.5	The European Union and the cooperatives 82
Appendix - List of references	86

INTRODUCTION

This report is commissioned by ICA Europe. Cooperative leaders in Europe recognize the difficult situation facing many cooperatives in Africa and have asked themselves how their own organizations better can assist their counterpart organizations in Africa. This report tries to provide some answers to this question in its final chapter.

The rapidly changing environment in Africa makes current cooperative development strategies and donor strategies obsolete, and any mobilization of additional resources for cooperative development assistance will have to take the new situation into account. It was therefore considered necessary to make an analysis of the present situation, outline, in general terms, a new strategy for cooperative development in Africa, upon which a revised strategy for the donors could be based. It is strongly felt that a clear view on how the African cooperatives intend to meet the future, together with a revised cooperative donor strategy, will be a prerequisite for obtaining aid resources from government and international donors.

It goes without saying that any strategy for development of the cooperatives in Africa has to be developed by the cooperators themselves, and not by outsiders. However, in order to arrive at a revised role of the donors, we have outlined a proposal for a new strategy for cooperative development in Africa, taking the new circumstances into account. This proposal must therefore only be seen as our contribution to the discussions on the future of cooperatives, presently taking place among the African cooperators.

It deserves to be repeated that the conclusions and the recommendations of this report are ours and not those of ICA or the funder, the Swedish Cooperative Centre. We have however been greatly assisted by two consultations with the African cooperators; at a seminar in West Africa and at the regional assembly of ICA Africa, recently held in Nairobi. We wish to thank all cooperators who gave us their views and comments at these events, enabling us to take them into consideration when preparing the final version of the report.

This report provides no final answers. It is a contribution to an ongoing process; a process in which each cooperative society in Africa will have to make its own analysis of the situation, and find its own answers on how to meet the challenges ahead.

September, 1994.

Lars-Erik Birgegaard
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SUMMARY

1. ICA-Europe has commissioned a study on cooperative adjustment in Africa with the view to elaborate a perspective on cooperative development and a development assistance strategy, based on a review of the present transformation of African economies, and its impact on cooperative organizations. The study is largely concerned with the situation of agricultural cooperatives.

THE SITUATION OF COOPERATIVES IN AFRICA

I Far-reaching economic transformation with profound impact on cooperative organizations

2. In the wake of the economic crisis in Africa, more than thirty countries are presently implementing structural adjustment programmes often imposed on them by external forces. In the context of this study there are no reasons to enter into the debate on these programmes. Suffice it to note that the programmes are there and that they have far-reaching implications for most cooperative organizations. The pace of adjustment differs from country to country but the trend is clear and irreversible: the economies are to be transformed into liberalized market economies.

3. Of outstanding significance for the cooperatives are the effects of the market liberalization, particularly in the agricultural sector, which is an important element in the structural adjustment programmes. Cooperative organizations which hitherto have enjoyed monopoly positions as instruments for government agricultural marketing policies will be exposed to competition. From a monopoly position *all* cooperatives, including the efficient ones, will lose market shares with concurrent needs for adjustment.

4. Monetary policy reforms involving imposition of credit ceilings and increased interest rates are other elements of the structural adjustment programmes affecting most cooperative organizations. Given a high degree of indebtedness and a low cost bearing capacity, these measures will negatively affect the ability of many cooperatives to maintain their level of operations.

II Political transformation

5. Most African countries are also in the midst of a process of political transformation characterized by increased pluralism and democratization. Combined with economic reforms which reduce the role of the State, these changes open the possibility for a disengagement of the cooperative movements from the State permitting them to become truly popular organizations. A democratization of the society at large also facilitates successful democratization of the cooperative movements as well.

III Economic reforms strike at the base of the cooperative organizations - their business activities

6. Cooperative organizations are characterized by ideological principles. They concern themselves with member services rather than profit. They foster democratic values and hold principles of equality in high esteem. Yet, it should not be forgotten that cooperatives are basically *business ventures* with the prime objective to provide their members with economic benefits.

7. Competition, increased capital costs and inadequate access to credit following from structural adjustment measures, hit at the very foundation of cooperative organizations namely their business operations. Of the three, competition is particularly threatening. If the cooperatives fail as businesses, they will fail in all other respects as well. They will simply disappear. The outlook is harsh indeed - adjust and succeed or fail and disappear.

IV Ill prepared to meet the challenges

8. In different combinations and to a varying degree, many cooperative organizations in Africa bear characteristics which limit their ability to meet the challenges arising from a rapidly changing environment.

9. Low business efficiency tends to be the rule rather than the exception. A weak capital base, heavy indebtedness and limited credit-worthiness constrain the ability of many cooperatives to compete with private traders who are paying farmers cash on delivery. Limited credit-worthiness also tends to reduce the volume of business leading to a vicious circle of further deterioration of profit and loss statements, credit-worthiness, still further reduction of business volumes, and so on. To a large extent, the low level of business efficiency is explained by the limited entrepreneurial capability among managers and board members at different levels.

10. Attempts to diversify activities have more often than not been unsuccessful, tying up scarce capital, incurred losses and have quite often been questionable from a member service point of view.

11. Cooperative development efforts have generally been oriented more towards intermediary and apex levels than towards the primary society level. This has resulted in unbalanced organizational structures and excessive over-head costs for the movements.

12. Cooperatives have generally been established from above. Government assignment of monopoly functions in crop marketing to cooperatives made cooperative membership compulsory and a precondition for growing certain crops for the market. In other instances, cooperatives were compelled to provide services, such as the provision of credit, to members and non-members alike. Government failure to deliver inputs in time, to pay rewarding prices and to pay on time were seen as shortcomings of the cooperatives.

13. With this experience far too many members have little regard and affiliation to their cooperatives. When better services are offered by private operators entering a liberalized market, members will easily turn their backs to the cooperatives. The base stands the risk to disintegrate.

14. Many of these shortcomings can be explained by the historical relationship between the State and the cooperative movements. Government intervention and control thwarted cooperative development and prevented cooperatives from becoming efficient, member-oriented, member-owned and member-managed organizations. However, this offers little consolation. The resulting problems are the same and as damaging.

V The capacity of cooperative organizations to change

15. A number of factors affect the capacity and the capability of cooperative organizations to adequately adjust in response to changes in their external environment.

16. The scope and the scale of changes which are required are such factors. All organizations have some capacity to change. The question is whether this capacity is sufficient. Given the seriousness of the problems that many cooperative organizations face, the capacity may not be adequate.

17. The perception of a crisis will also influence the capacity to adjust. If the crisis is considered serious, it is more likely that an organization will act decisively.

18. The perception of the crisis seems to be insufficient in many cooperative organizations which is demonstrated by a low level of preparedness and a slow and inadequate response. The failure to see what needs to be done and to take the right steps reflects a limited entrepreneurial capability.

19. The economic insolvency characterizing many cooperative organizations is generally a serious constraint to adjustment preventing even a good management to make necessary changes.

20. The market will indeed put pressure on cooperative organizations to adjust. However, pressure will have to come from within the movements as well. It is often not clear from where such internal pressure will come. Disillusioned and uncommitted members are more likely to turn their backs to the cooperatives than to pressure for change.

21. Continued interference from government staff and politicians can more or less severely constrain efforts to turn cooperatives into efficient business enterprises for the benefit of the members.

22. Finally, in any reform process there are interests which will resist change. Change will introduce uncertainty, demand re-thinking, re-orientation of minds and will create losers. The larger the changes are, the more significant are these implications and the stronger will resistance to change be.

23. The diagnosis above clearly is a generalization which does not always apply. There *are* strong cooperative organizations, at all levels, which only to a limited extent are characterized by what is outlined above. They will be able to adjust and withstand competition. Yet, whereas these are encouraging examples to be studied and learnt from, they are not representative of cooperative organizations in general.

A MODIFIED STRATEGY FOR COOPERATIVE DEVELOPMENT

24. In view of the diagnosis of the situation of many cooperative organizations in times of rapid environmental change, a modified strategy for cooperative development is called for. In the following, the main elements of such a strategy are proposed.

VI The basic orientation of the strategy

25. The short to medium-term top priority task is to improve business efficiency of cooperative organizations in order to secure their survival. Efforts should be concentrated on measures which are expected to have direct effects in this direction. A viable business operation means attractive services to members resulting in member satisfaction and commitment.

26. The services of direct importance to members are provided by the primary society level. The primary society level is the base without which intermediary and apex level organizations cannot exist and have no justification. However, in a liberalized market primary societies can often flourish without the existence of an intermediary (trading and processing) level. Intermediary cooperative organizations are often a stumbling block to cooperative development due to their operational and financial inefficiency.

27. For these reasons development efforts should be concentrated on the primary level.

VII Improving business efficiency

28. Improving business efficiency of cooperative organizations is the outstanding task in a short to medium-term perspective. The specific blend of the measures suggested below will vary from situation to situation.

29. In many instances it is critically important to improve management. Managers without a business talent should be replaced and new managers should be offered substantial performance related rewards. The composition of boards at different levels often has to be changed whereby persons with business experience are made board members. Boards have to devolve considerable authority to managers to permit speed and flexibility in decision making. Training can be important in improving managerial capability but cannot replace *entrepreneurial talent*.

30. Weak cooperative organizations have strong reasons to simplify the management task. This is particularly important at the primary society level given the significance attached to improvement of performance at this level. Simplification can be achieved by concentrating on a limited set of core activities (normally trading in one or a few agricultural crops). Processing or diversification into other activities, including provision of credit, should *not* be considered until the trading activity has been made a lasting success. Weak cooperative organizations with non-viable processing and non-core activities should in many cases close these down.

31. *All* cooperative organizations will have to reduce their costs to meet competition on a liberalized market. The loss of a monopoly position is bound to mean a considerable loss of market share also for efficient cooperative organizations calling for considerable cost reductions.

Weak organizations will have to make even larger cost reductions.

32. A modification of cost structures reducing fixed costs as far as possible will be imperative. Scarce capital should be used for trading and not tied up in brick and mortar. Office space can be rented rather than built. Transport services may be purchased rather than fleets of vehicles. And so on.

33. All possible ways to improve the capital structure and access to credit must be explored. At the same time as this is a critical factor, it is unfortunately one of the most difficult ones to find solutions for. A substantial increase in member capital is unrealistic as long as a cooperative does not provide a competitive service. Direct capital assistance from donors is probably even more unrealistic save the provision of conditioned guarantee fund capital (see below). Cooperatives have often become indebted as a result of government policies and directives. In these cases the cooperatives should prepare their case and press their governments for debt relief or debt cancellation. Failing to secure capital, a cooperative organization has no alternative but to adjust its operation (and hence costs) to a level compatible to its access to capital.

34. Primary cooperative societies should be relieved of any formal or informal obligation to trade with intermediary cooperative organizations. Their right to deal with whoever they prefer in business matters should be irreversibly established. Intermediary cooperative organizations should be forced to prove themselves in competition with other (private) organizations. If they cannot provide competitive services preferred by the primary societies, they have no right to claim the loyalty of the primaries. If they can, they will get their loyalty.

35. One further measure, which simplifies the management task, is a reduction in the size of the operations which can be achieved by reducing the size of primary societies. This is compatible with a strategy for weak primary societies which are expected to concentrate on divisible trading activities and which are expected to reduce fixed costs and overheads to a minimum. Another advantage with a small primary society is that problems of transparency and accountability are reduced. Finally, a small society would permit formation closer to existing lines of social affiliation in local communities thereby increasing social coherence, member inter-dependence and loyalty and reducing problems with accountability and internal control.

36. The diversity in situations and needs among cooperative organizations should be emphasized once more. There *are* strong cooperative organizations, including strong and large primary societies, with diverse and integrated activities. Whereas also these organizations will have to adjust in response to competition following market liberalization, some of the far-reaching measures suggested above will not apply. However, these organizations are *not* representative of the cooperative movements in Africa for which the generalized suggestions above are offered.

VIII Gender

37. Since long there is full recognition and acceptance of the significance of gender both as a matter of principle (of equality) and as a matter of relevance for economic development. Despite many efforts and the prominence given to gender issues, it is a fact that the process of change is disturbingly slow. However, this should hardly be surprising (although frustrating) bearing in mind that gender relations reflect deep-rooted cultural and social values which by their nature are hard

to influence.

38. All concerned with gender issues grapple for practical ways to promote the process of change. The principles are easy to state. The difficulty is to find the practical means.

39. While acknowledging these difficulties the gender issue should even stronger than in the past be held at the forefront in the cooperative movement. Cooperative development strategies should explicitly recognize the issue and take a clear stand in principle. Continued efforts should be made to seek practical means to influence the underlying values.

40. The recommendation for substantially increased support to non-formal cooperative ventures which are dominated by women, represents the most important operational aspect of this strategy to promote gender issues.

IX The role of the State

41. A precondition for successful adjustment to a competitive market situation is a disengagement from the State which gives cooperative organizations flexibility and freedom from government interference. It is particularly important that any influence on factors affecting the business performance is eliminated. Furthermore, in a changed relationship, the cooperative movement should no more be seen as an instrument for implementation of government policies and government rural development activities. Likewise, the cooperative movement and not the government should have the sole responsibility for promoting cooperative development including training.

42. The remaining role of the State is limited but important. The State should have the responsibility to register and cancel registrations of cooperative societies, and ensure that laws under which cooperatives operate are followed, particularly with regard to auditing, publication of annual reports and protection of creditors. The State has a particularly important role to play in rationalizing the cooperative structure by liquidating insolvent cooperative organizations.

43. A changed relationship between the State and the cooperatives has to be manifested in a revised cooperative legislation.

44. There are reasons to expect that a disengagement from the State will be a long process. Market liberalization often seems to out-pace the disengagement from the State with a wide margin. To the extent that continued State control relates to aspects of significance for the business efficiency of cooperatives, this relationship is likely to be a serious impediment to adjustment.

X Cooperative development outside formal structures

45. Some would argue that cooperative development in Africa worth this label, with some notable exceptions, takes place outside the formal (registered) cooperative structures in the form of self-help groups catering to a variety of economic, social and cultural needs. Such self-help organizations are formed on the initiative of the members themselves as a means to solve common problems. They are governed by rules set by the members, managed by the members and indeed

"owned" by the members. By all standards they are what is often referred to as genuine cooperatives. An interesting observation is that such self-help groups are predominantly formed by women.

46. Self-help organizations are generally small, scattered and not related (federated) to other similar organizations.

47. An important question is how existing formal cooperatives should relate to cooperative activities on a self-help basis outside their own structures. In principle there are no reasons why formal cooperatives cannot promote and support such cooperative activities (presumably with the implicit objective that one day they will become formal cooperatives). In practice, however, it is highly questionable whether formal cooperatives will make promotion of informal cooperatives (self-help groups) a high priority. Bearing in mind the very considerable task which the formal cooperative organizations face to transform themselves, it would probably seem odd from their perspective to give priority to tasks outside their own organizational framework.

48. The conclusion for a donor may be different as will be discussed below.

A STRATEGY FOR COOPERATIVE DEVELOPMENT ASSISTANCE

49. Development assistance for cooperative development has to be re-oriented to support adjustment and transformation of cooperative organizations in line with what has been argued above. Such assistance should be guided by a set of basic principles.

XI Basic principles for donor assistance

50. Donor assistance should be given on a movement-to- movement basis. Agreements should *not* be signed with the government in a recipient country on behalf of the cooperative movement and funds should *not* be channelled through government accounts. This principle has to be pursued with vigour. A government in a recipient country which is not willing to accept a movement to movement relationship is in all likelihood not willing to provide the cooperatives the autonomy which is a prerequisite for successful adjustment. In all circumstances such a situation suggests a very careful assessment before major commitments are made.

51. Government funds for cooperative development provided in a donor country should be placed at the disposal of the cooperative movement in that country.

52. As far as possible cooperation between two movements should be characterized by partnership and equality. Successful cooperation for cooperative adjustment presupposes shared concerns, shared objectives, shared perceptions of what the problems are and what the remedial measures ought to be. This would entail a context specific strategy for cooperative adjustment. In order to establish such a common platform, a donor should enter into a dialogue with the apex organization (or some other logical entry point which is representative of the general membership) as a preliminary phase to a more substantial involvement in a support programme. In cases where such a common platform cannot be established, the donor may be advised to withdraw.

53. As a basic principle the donor should *not* have an executive but a supportive role. The

executive function should rest with the recipient cooperative organization. While the leading role should be played by the recipient organization also in the programme formulation phase, programme formulation should preferably be a joint effort in order to bring out disagreements in disguise on concepts such as participation, poverty focus, high priority, member interests, gender, urgent, important, etc which can cause problems in the implementation phase.

54. External assistance which does not create some degree of external dependence is hardly conceivable. Great care should be taken to avoid the creation of undue and damaging dependence. Donor assistance should be given with explicit recognition of how and when the activities undertaken with donor funds can be supported by local funding. Alternatively, it should be convincingly demonstrated that an activity supported with donor funding has a logical time limit, or that the activity can be terminated with lasting benefits.

XII Support to adjustment of formal cooperative structures or support to cooperative development outside these structures

55. Whereas an existing formal cooperative organization hardly can be expected to give high priority to promotion of cooperative activities outside its own organization, a cooperative donor can take a different stand. A donor can even find reasons to promote the formation of a parallel (new) cooperative structure with the view to eventually replace inefficient and discredited cooperative organizations.

56. As a matter of principle, donor agencies should take a radically different attitude to cooperative development in the sense that cooperative development outside the existing formal cooperative structures should be seen as equally interesting. A particularly important aspect is the potential to support women in cooperative development by supporting the non-formal sector. Hence, far more attention and support should be given to cooperative development outside formal cooperative structures than has been the case in the past.

However, it must be recognized that support to cooperative development outside the formal structures calls for a different strategic approach and different modes of operation. It will also demand partly new skills from the donor agency.

57. A donor must be prepared to acquire these capabilities to become a useful partner in support of cooperative development outside the formal structures. These efforts can hardly be justified unless the donor decides to make such support a major activity. Ad hoc and marginal activities should be avoided.

58. A donor can choose to support both formal and informal cooperative development in the same country. In situations where the formal cooperative organizations are characterized by continued far reaching governmental intervention and inadequate capacity to adjust, and where cooperative development flourishes outside the formal structures, the choice may be to focus exclusively on cooperative development outside the formal structures. Should the donor have opted for not entering the field of informal cooperative development, support (of formal cooperatives) can be shifted to another country.

59. In situations (countries) where there is considerable potential for successful adjustment

within formal cooperative organizations, support may be exclusively provided to these organizations.

XIII Grant support to non-business activities

60. As a general principle, donor grant support should not be given to activities which have a direct impact on the profit and loss statement of a cooperative organization. Such support could easily disguise the inability of a cooperative to make necessary adjustments and give a false impression of economic viability.

XIV Support to cooperatives with a potential

61. Support should be provided on a selective basis only to cooperative organizations with a potential for successful adjustment and adequate capacity to make necessary changes. It is important that support programmes do not maintain doomed cooperative organizations through artificial means.

XV Support programme ideas

62. An issue of immediate concern is to raise awareness at all levels in cooperative organizations in Africa about the need for early and often substantial adjustment. Donors can assist national organizations to undertake such measures.

63. Likewise, donors can assist apex organizations in their dialogue with governments with the view to revise cooperative legislation and alter the relationship between the State and the cooperatives.

64. In line with the development perspective outlined above, donor support should first and foremost concentrate on primary society development. The strategy elements of such a programme are indicated in the development strategy above.

65. In operational terms a participatory extension programme is foreseen. In a problem solving dialogue with primary societies, a cadre of cooperative extensionists could assist societies to review their situation and to develop a "plan" for how to become competitive (concentrating activities, reducing costs, simplifying the management task, etc).

66. A donor should only enter into such a programme if the condition that primary societies are given the right to trade with whoever they wish is met, and met in full.

67. One serious constraint for many cooperative organizations, particularly at the intermediary level, is the shortage of working capital suppressing the volume of business and bringing the cooperative into a vicious circle. A cooperative donor may consider to provide a guarantee fund with a financial institution in order to soften this constraint. However, it is imperative that the provision of such a fund is seen as only *one* element of a plan for adjustment and that the elements of this plan which ought to precede the provision of capital are implemented prior to giving access

to credit. The operation of such a scheme has to be surrounded with stringent rules and be based on business considerations only.

68. Improvement of the management function of cooperative organizations has been identified as a key strategy element. Based on the experience of adjustment and change in their mother organizations, donors can be helpful in assisting with support to management training, introduction of management systems as well as schemes for re-orientation of organization strategies and modes of operation.

69. Support programmes based on the ideas presented above would all qualify for grant funding.

XVI The role of ICA

70. There are increasing difficulties to mobilize bilateral donor funds within the movements in the North. At the same time there are considerable untapped resources for cooperative development with multilateral donors and the EU. The smallness of many cooperative donor agencies constrains access to these resources. It is therefore recommended that ICA is promoted to become a major donor agency to access these resources.

XVII Staff development in cooperative donor agencies

71. Should a cooperative donor agency decide to provide assistance to cooperative development outside the formal structures, additional skills will be required. Unless available, donor agencies should add staff with the specific experience of working with self-help groups.

72. The proposed strategy for cooperative development proposed here presupposes a re-orientation which may not be all that easy for staff who has worked diligently with cooperative development of the past. It may be hard to admit that something one has whole-heartedly supported and worked with was partly mis-conceived and contributed to the present sad state of affairs. Also, loyalty, sympathy and friendship with individuals and cooperative organizations in cooperating countries may make it difficult to take a neutral and analytical stand, to draw detached conclusions, to deliver critical messages and to cut ties. For the same reasons as some board members and managers in cooperative organizations in the South ought to be replaced, some cooperative donor agency staff may need to be replaced in order to facilitate adjustment.

MOBILIZATION OF RESOURCES FOR COOPERATIVE DEVELOPMENT AID

XVIII Internal and external mobilization

73. Internal mobilization is defined as that mobilization within the cooperatives themselves, in Africa as well as in Europe. External mobilization is the enlisting of aid resources outside the cooperatives, grants from government and international donors as well as loans from banks, etc.

74. Internal mobilization on the donor side expresses a will to assist the African cooperators in their development efforts. This is an act of solidarity. This solidarity, expressed in financial

contributions, is often a prerequisite for external mobilization of resources from government donors and the European Union. The resources mobilized by the European cooperators are therefore a must.

75. There are basically two types of external resources supplied by national and international donors; those which require an internal cooperative contribution, as mentioned above, and those which do not. We believe there are good prospects for mobilizing additional resources of both types for cooperative development in Africa. To fully exploit these opportunities we propose a two-pronged approach.

76. First, since the European Cooperative Aid agencies (CAAs) are those which are able to mobilize internal resources, it is proposed that primarily focus their external resource mobilization on government donors and the European Union which demand counterpart funding by the applicants.

77. The second approach entails a redefined and extended role of ICA as a cooperative donor, thereby enabling it to exploit aid resources of the international donor community. This requires a somewhat modified mandate for ICA as a donor. It is believed that ICA should put the cooperative development experience at the disposal of the international donors for development projects, which in all aspects might not be termed as cooperative. This will be of greater interest to these donors, than if ICA would confine its development work in the Third World to its member organizations. To be able to do this it will be necessary for ICA to expand and complement its capacity as a donor. This new donor role will over time be self-financing and should organizationally be separated, in Geneva as well as in the regions, from the traditional functions of ICA.

XIX Mobilization of internal resources from the cooperatives in Europe

78. The European cooperative movements constitute an impressive base for mobilizing resources for development assistance. There are, however, considerable constraints facing the cooperative fund raisers. Many movements are presently undergoing structural adjustment of their own in order to increase business efficiency and competitiveness and some are fighting for their survival. In such a harsh economic climate the solidarity with the cooperators in Africa does not emerge at the top of the agenda within the cooperative organizations in Europe.

79. Furthermore, the institution building character of cooperative development programmes does not have the same appeal as many other types of development aid have. It is difficult for the cooperative fund raiser to compete with, for instance, emergency aid and similar types of programmes. In addition, the sense of identity and "belonging" is considerably stronger in many other organizations than in the cooperatives. As a consequence, cooperatives can compete with, for instance, religious organizations and fraternal and social groups in mobilizing resources for the Third World.

80. But there are advantages as well. The cooperative resource mobilizers have access to a great number of organizations and individuals, which is the basic advantage of the Cooperative Aid Agencies (CAAs) as compared to many other Non Governmental Organizations (NGO).

81. Considering the limited willingness of the cooperative organizations to contribute to development aid, pleading to their solidarity with the Third World, will not induce them to provide substantial funds for this purpose. *The most important role of a cooperative organization is not that of a benefactor, acting out of solidarity, but that of a channel to the individual cooperative members and the employees.*

82. Substantial resources can however be mobilized within the organizations if *mobilization efforts can be linked up with the commercial activities of the organizations and serve their economic self-interests*. Products and services which are able to bear the contribution to cooperative aid as a cost and still remain competitive have to be identified. Producing, selling and purchasing such products and services must be seen as an act of solidarity with the Third World, and thereby give the cooperative organizations a positive image in the eyes of the public.

83. There are indications that the willingness of individuals to contribute to development assistance is not negatively affected by a harsh economic climate, as is the case with the organizations. Soliciting funds from cooperative members and employees must be based on their solidarity and generosity, and there are number of guidelines which need to be observed in the practical fund raising.

84. First, prospective benefactors need to be approached in a personal manner adhering, to the extent possible, to the basic principle of "people give to people". Second, development projects for which support is solicited must be *well defined and small* so that the sense of identification with the project is enhanced.

Finally, it is of outmost importance that benefactors receive regular feedback on the use of their contribution and of the progress of projects supported.

XX External mobilization - the European Union

85. The European Union (EU) provides substantial volumes of development aid to the Third World (ECU 3,2 billion in 1993). An increasing part of this is channelled to the development work of NGOs. In 1993 some ECU 702 million, approximately one fifth of the total EU aid budget, was allocated to NGOs collaborating with the EU. The major part of this, or 53 percent, was for emergency relief development projects, victims of apartheid, refugees and displaced persons and support for the West Bank and the Gaza Strip.

86. According to the EU budget of 1994, NGOs *may have access* to more than ECU 1,1 billion, which does not necessarily mean that NGO projects will qualify for the full amount. Of particular interest to the cooperatives are the two votes; "NGO Development Projects", combined with information campaigns in Europe and "Decentralized Cooperation". The former has an allocation of ECU 145 million in 1994 and requires co-financing by the NGO, normally on a 50/50% percent basis. The Decentralized Cooperation is a new facility under the Lome convention and other cooperation agreements with non Lome countries and is financed out of the official aid budget. This vote has no specific amount earmarked for financing of NGO projects and it does not require NGO contribution to the project costs.

87. One may observe that most of the funds available to NGOs are designated for specific purposes and regions/countries. This does not seem to give the NGOs much leeway to determine

themselves which development needs to address. Of interest to note is also the fact that long term human and institutional development support seems to be at a disadvantage compared with the more immediate relief support and similar aid programmes. These impressions and the fact that ten vote NGO Development Projects, mentioned above, was heavily oversubscribed in 1993, indicate that ICA and its development partners in Europe, the CAAs, have an important lobbying task ahead.

XXI The European Union and the cooperatives

88. There are 15 Cooperative Aid Agencies (CAAs) in Europe, of which three are outside the EU. The mandate of these organizations varies as do their resources, volumes and types of aid. Their combined development assistance to the cooperatives in Africa is not comprehensive and needs to be expanded in order to better correspond to the needs. Some of them have limited exchange of experience with ICA, and the contacts with the EU and the NGO networks lobbying with the EU Commission are limited.

89. In order to increase the development aid to cooperatives in Africa it is of greatest importance that the CAAs and their counterparts in Africa have a common understanding of the situation facing many cooperatives in Africa today, that the African cooperative development strategies are in conformity with the new situation and, finally, that the support strategies of the donors also are adjusted to the new circumstances. *It is our strong belief that national and international donors will increasingly demand cooperative development and donor strategies, which take the new situation into account, as a prerequisite for funding.*

90. It is therefore recommended that ICA, as a first measure consults the African cooperators in order to ensure that their strategies for the future are fully reflected in programme documents before EU and other donors are approached for funding.

91. Similarly, it is recommended that ICA consults its development partners in Europe on these questions, in particular with regard to the proposed strategy for the donors, in order to have it scrutinized and elaborated upon. This will facilitate the preparation of national donor strategies. With these two exercises cooperative development assistance programmes will improve considerably.

92. It is no exaggeration to state that cooperative development interests are grossly under represented in the EU and the NGO networks. To make the Third World cooperatives and their needs for development assistance more visible at the EU, calls for a consolidated approach.

93. It is therefore recommended that ICA, as the global cooperative organization, takes the lead by opening up a *high level dialogue* with the EU. This dialogue would aim at increasing the EUs general understanding of the cooperatives in the Third World and their role in the national economies and the democratization process, as well as EUs understanding of the current situation in Africa and the African cooperators need for support. ICA would thereby pave the way for a closer contact between the CAAs and the EU and for increased EU funding of cooperative development programmes. This dialogue would also form the opening of a continuous cooperative lobbying effort with the EU.

94. Important lobbying with the EU is being done by the Development NGO networks and it is also important that the cooperative sector makes its presence felt here. ICA is the appropriate body for the preparatory work, and it is therefore recommended that ICA investigates the NGO networks and their lobbying priorities, so as to establish which networks are suitable for ICA and interested CAAs to join.

95. There are a number of funding options within the EU aid budget for NGOs. Some of them will be of greater relevance for cooperative development than others, and it is somewhat difficult to obtain a clear and comprehensive view of the options open to cooperative development programmes. In order to assist the CAAs on this issue, it is recommended that ICA compiles a small guide on the various votes suitable for cooperative development aid; rules and practices governing the various votes; and application procedures and routines.

METHODOLOGY

The present study is based on the following logic. While the initial interest by ICA-Europe focused on resource mobilization, it was considered necessary to review the situation of the cooperatives in Africa and discuss how resources, if successfully mobilized, ought to be used. Hence, in consultation with ICA-Europe the study was designed to review the present changes in the environment of cooperatives in Africa and the impact of these changes. Subsequently, the situation of the cooperatives and their capacity to respond to the challenges posed by external change was to be reviewed as a basis for formulating a strategy for cooperative development. The role of donor assistance could then be defined within such a broader framework, and finally, resource mobilization strategies would be elaborated. The analysis and the report are based on this structure.

A literature review was undertaken as a first step. However, it is noteworthy that the issues on which this study focuses are seldom treated in the literature, including memos, workshop reports and similar documents from within the movements. A list of references is given in appendix 1.

The primary source of information for this study is the experience and observations made by the authors themselves over the years complemented in the following important ways.

A network of some fifty individuals and organizations was established. This network was used to elicit comments on draft documents prepared at different stages of the analysis.

A three day consultation with cooperators from four West African countries was arranged under the auspices of ICA-West Africa to discuss a draft of the report. Furthermore, the report in draft form was presented to the Regional Assembly for Africa in Nairobi in September. A full day was allocated to a seminar on the report which was discussed in working groups and in plenary sessions.

Through these means the arguments and conclusions in the present report have been subject to a very wide exposure and critical review by cooperative donor agencies (and also ILO and FAO), cooperative organizations and cooperators in Africa as well as by scholars and practitioners in the field of cooperative development. Important comments on previous drafts are reflected in the present final version of the report.

It is noteworthy that cooperators in Africa as well as in the North have demonstrated a basic agreement with the fundamental arguments and conclusions in the report. This gives considerable confidence that the analysis is relevant. Yet, the study has a number of notable limitations. The empirical base is limited, particularly with respect to West Africa. The study focuses on agricultural cooperatives only as a deliberate limitation due to resource constraints.

Furthermore, it has been necessary to make generalizations which fail to reflect the great diversity of situations of African cooperatives. It can rightly be argued that there are cooperatives and situations which are far more positive and promising than what is presented here. Acknowledging this, we would still argue that the analysis is representative of a majority of cooperatives in Africa.

CHAPTER I

THE SITUATION OF COOPERATIVES IN AFRICA

For more than a decade most African countries have been plunged into an economic crisis which has seriously affected the well-being of large sections of their populations, weakened nation states and increased social and political tensions. The crisis has also resulted in far-reaching dependence upon and interference from external forces, notably multilateral and bilateral donors.

The crisis has necessitated adjustment responses and triggered a reconsideration of development strategies and economic policies of the past. Most African countries are presently undergoing managed adjustment processes with profound implications for the cooperative movements.

In the following sections we will review and discuss those aspects of the adjustment process which are of particular relevance for the cooperative movements. This means that we do not claim to make an exhaustive analysis of the adjustment programmes. As an introduction to this discussion it may however be useful to briefly summarize the origin and the main features of what has been termed the African crisis.

1.1 The evolution of the crisis

Africa entered its Post-Independent era with a leadership determined to relieve their countries and their peoples from the yokes of the colonial period and to transform their economies into modern and prosperous welfare states in shortest possible time.

This was to be achieved through a transformation of the economy largely following the pattern of development of the industrialized countries i.e. an emphasis on the secondary (manufacturing) sector and trade and a decline in the significance of the primary (agricultural) sector with a tertiary (service) sector which would grow slightly in significance during the early stages of development and then grow faster at later stages.

In line with this broad development strategy efforts were concentrated on developing a modern manufacturing sector with supporting infrastructure and services. The role of the agricultural sector was considered important but secondary. Beside providing livelihood for a major but decreasing share of the population, the main role of the agricultural sector was to produce an economic surplus which could finance the modernization project outside the sector. The capacity of the agricultural sector to generate foreign exchange was of particular significance.

Severe negligence of educational and health services during the colonial period prompted the newly established governments to embark on ambitious and badly needed programmes in these fields as part of their development strategy.

The suppression of incomes and consumption levels for the African population during the colonial era turned into a strong pressure for increased consumption after independence, and notably consumption of imported commodities.

The role of the State in designing and implementing this strategy was far-reaching, partly for ideological reasons and partly as a consequence of the very limited number of indigenous entrepreneurs. The State took wide responsibilities not only in providing public goods and services but also as a producer and a trader in almost all fields of the economy.

Initially this ambitious modernization project seemed to be successful. Economic growth in Sub-Saharan Africa was close to 6% per annum in the period 1965-73. Export revenue increased by some 6% in the same period and a substantial inflow of overseas development assistance funds and to some extent private capital sustained a steady growth.

In 1973-74 the world was hit by the first oil price shock. This external shock gave the first signal of the vulnerability of the African economies. Current account deficits increased sharply and could only be covered through additional international borrowing. Low interest rates made this a tempting option and did not initially seem to involve particular risks as the recession in the world economy was expected to be of short duration. This did not prove to be the case, however.

Deflationary policies in industrialized countries in the late 1970s and early 1980s following the second oil price shock in 1979 weakened their growth performance and slowed down growth of international trade. After a very short-lived commodity price boom in mid-1970s, the trend in the terms of trade for Africa took a downward turn which persisted throughout the 1980s. The widening current account deficits demanded accelerated external borrowing. Encouraged by the donor community most African countries increased international borrowing and marched into what turned out to be a debt trap.

In the aftermath of the second oil price shock international interest rates rose sharply and the dollar appreciated. Servicing old debts became very costly and so did contracting of new loans which further aggravated the precarious external situation of Africa.

Parallel to the development of these serious external imbalances, disturbing internal imbalances emerged as well. In an effort to maintain investment and consumption levels, many countries resorted to highly inflationary policies. Ambitious and in retrospect often unwise government spending programmes were financed by printing money.

In the early 1980s the situation had become unsustainable for many countries. The development strategy which had been followed collapsed. A closer look at the structure of the economies at the time of collapse shows that the collapse came before any notable structural transformation, aimed for by the strategy of the 1960s and 1970s, had taken place. The manufacturing sector share of the GDP had remained unchanged from 1965 to 1980. Worse than that, under heavy protection most industries were inefficient and had failed to enter the international market.

Of particular importance for the cooperative movements was the performance of the agricultural sector. This sector suffered from the subordinate role it was assigned in the development strategy. While governments taxed the sector heavily, altogether inadequate resources were invested to expand and sustain production. Typically no more than 10-15% of government budgets were allocated for agricultural development. Yet, more than 2/3 of the populations depended for their survival on agricultural activities and often more than 90% of the export earnings were derived from agriculture. The emphasis on production of tradeables tended to favour a minority of larger producers at the expense of the masses of subsistence and semi-subsistence farmers.

As a consequence of this policy, it was hardly surprising that agricultural production grew only slowly and was eventually superseded by the population growth with declining per capita output as a result. Also, the favoured export sector fared badly. Whereas the world trade in agricultural products doubled from early the 1960s to mid-1980s, the volume of agricultural export from Africa declined in the same period. In other words, Africa lost market shares. Paired with unfavourable terms of trade this development was a serious failure of the strategy.

1.2 The causes of the crisis

The discussion in the preceding section has rather described the evolution of the crisis than explained its causes. The explanations of the African crisis may be categorized in three major schools. Several international donor institutions, including the World Bank and the IMF, tend to stress the significance of factors under the control of governments in Africa. These factors include an over-valued exchange rate, over-protection of domestic industrial production, distortion of prices - notably in the agricultural sector, and on financial markets - unrealistic commitments to large government recurrent spending programmes, far too many low-yielding prestige investments, notorious inefficiency in government bureaucracies and their uncontrolled expansion, government involvement in direct production, political interference and corruption, etc.

While accepting the importance of internal factors as causes to the crisis, the second school, which finds its adepts mostly in the South, tends to stress the significance of factors external to the African economies. Prominent among these are the oil price shocks in 1973-74 and in 1979 causing a recession in the industrialized countries and a concomitant slow-down in international trade as well as and a deterioration in the terms of trade. The appreciation of the dollar and rising international interest rates, as well as the stagnating development assistance, are also external factors of importance in explaining the crisis, it is argued.

The third school gives merit to both preceding schools by arguing that both external and internal factors were at play and that it is hardly possible to conclude which of them were more important. There is no need to elaborate these arguments further. Suffice it to make three observations.

Firstly, it should be noted that the development strategy that preceded the crisis was based on very optimistic assumptions about the developments in the external, international, environment. The strategy also seriously underestimated the constraints to transformation and growth in the African economies. In retrospect the strategy was unrealistic from the outset.

Secondly, in the debate on the solution to the crisis little mention is made of the need for adjustments in the international context in order to address the factors which constrain recovery at that level. The apparent unwillingness to discuss *decisive ways* to resolve the debt crisis, which all agree is an absolute obstacle to sustained recovery, is symptomatic.

Thirdly, the memory is strikingly short at times. Many of the institutions and individuals, who now vigorously criticize strategies and policies of the past, forget that they were more or less strongly supporting them at the time. Clearly one has to conclude that, by and large, the donor community endorsed these strategies and policies as they chose to finance their implementation!

1.3 The cooperative movements and the mounting crisis

Before discussing for the responses of the governments to the crisis and the implications of these responses to the cooperative movements, it may be useful to make some observations in passing on how the crisis itself affected the movements.

Needless to say cooperative movements fared differently during the pre-adjustment period. Yet, some generalizations can be made.

A particular problem was that the cooperative movements to such an extent were seen as interchangeable with the governments and in the eyes of farmers they represented the exploitation exercised by governments and their inefficiency. It was the cooperative monopoly buying agents that paid what farmers knew were depressed producer prices. It was the cooperatives that farmers felt cheated them when payments were delayed and inflation depreciated the real value of these payments. It was the cooperatives that failed to deliver the right kind of fertilizers and to deliver it in time, that failed to provide the gunny bags and let stocks of produce rot away for want of collection and transport.

It is hardly farfetched to think that such experiences, which unfortunately are rules rather than exceptions, tore the image of the cooperatives and made a mockery of the claim in gatherings under the village tree that the cooperatives are "member owned, member controlled and member managed".

The mounting pressure on government finances as the crisis developed was passed on to the cooperative movements in different ways. We have already noted delays in produce payments as one such consequence. In addition to inadequate crop finance, the cooperative movements were more generally undercapitalized. Furthermore, trading margins were often so small that even extremely efficient organizations would have failed to break-even on them. The implications were that the ability and the capacity of the cooperatives to provide their members with relevant and efficient services were undermined. It could be argued that these problems were primarily a result of the relationship between the government and the cooperatives. This may well be true. The point here is that the problems were exacerbated by the crisis.

1.4 The early response to the crisis

The most immediate response to the crisis was a severe cut in imports. This response was an unplanned and inescapable necessity. When the foreign exchange coffer was empty, and the import shopping list was not exhausted, there was nothing else to do then to cut the list. The effects were immediate resulting in shortages of consumer goods, spare parts, fuel, equipment, farm implements, medicines etc hitting all engaged in the monetary economy as a result. Economic activities slowed down and standards of living were negatively affected. One can say that the economies responded through contraction.

Early efforts were made to counter these trends but they were too limited and came too late. The volume of overseas development assistance was increased substantially from the mid-70s as current account deficits soared. As a single statistic the increase may look impressive. Yet, the donor response in relation to the needs was highly inadequate. From 1979-81 to 1985-87 the external

financial position of Sub-Saharan Africa (excluding Nigeria with major oil export revenue) deteriorated with 6.5 billion dollar annually. The two main factors contributing to this worsening situation were the growing debt burden amounting to \$ 4.0-4.5 billion annually, and a continued deterioration in the terms of trade adding another loss of \$ 2.9 billion. This was only marginally countered by an average annual increase in overseas development assistance of \$ 0.6 billion (1979-1986).

The IMF entered the scene early and extended short-term credit facilities in the expectation that the situation would be transitional. It was soon realized that these measures were inadequate and that more profound and lasting efforts were needed. This recognition brought us into the decade of structural adjustment programmes from the early 1980s.

1.5 The structural adjustment programmes

The structural adjustment programmes in Africa have become closely associated with the programmes designed, promoted and financed by the IMF and the World Bank with the support of the rest of the donor community. Presently some 30 countries in Africa are undertaking programmes of structural adjustment.

The structural adjustment programmes have been subject to intensive debate and controversy. In the context of this study there are no reasons to enter into this debate. Neither are there reasons to elaborate the different roles of the IMF and the World Bank, how these roles partly conflict with one another and how the policies of the two institutions have changed and to some extent converged over time. Therefore, in the discussion below, "structural adjustment programmes refer to the combined activities of these institutions unless otherwise stated.

1.5.1 The major elements of the structural adjustment programmes

The structural adjustment programmes have two broad objectives namely to achieve *stabilization* of an economy and to improve resource allocation and efficiency in resource use in order to *promote economic growth*.

Stabilization means to bring inflation under control and reducing current account deficits. Monetary and fiscal policies are applied to achieve these goals. Credit ceilings are introduced in order to push up interest rates thereby reducing investment and consumption and increasing savings. Government spending is cut in order to reduce inflationary budget deficits. Taxes can also be increased in order to reduce consumption.

The resulting contraction of demand will reduce imports and help to cut current account deficits. However, monetary and fiscal policies may not be sufficient to establish external balance. Therefore, these policies are generally complemented with a devaluation of the currency which is expected to shift *consumption* from tradeables to non-tradeables and production from non-tradeables to tradeables. Devaluation is normally a cornerstone in structural adjustment programmes.

The structural adjustment programmes also focus on policies aimed at resource mobilization and resource switching in the economies. The common denominator for these policy reforms is to

promote the development of a market economy.

Crucial aspects of the structural adjustment programmes are policies aimed at *market liberalization*. Prices are to be formed by the market and aligned to international prices (which presupposes trade policy reforms). Price distortions caused by subsidies are removed. Price reforms coupled with currency devaluations are expected to stimulate production of tradeables. (State) monopolies are dissolved and barriers to entry reduced in order to promote competition.

Trade policy reform through abolishment of administrative allocation of foreign exchange, reductions in customs duties and a reduction in the spread of duty tariffs is expected to contribute to efficient resource allocation.

Interest rate policies are reformed (generally removing subsidies and liberalization of interest rate regulations) in order to mobilize resources and improve efficiency in resource allocation.

Institutional reforms involve a reconsideration of the role of the state, meaning a substantial reduction, and efforts to strengthen the capacity and improving the efficiency of government structures to fulfil their tasks.

This list of elements of structural adjustment programmes is not complete and could be extended with a number of policy instruments used under the different headings. For our purpose the present review will suffice.

It is true that structural adjustment programmes show considerable differences in detail. However, as far as the important components are concerned, they are strikingly similar in design permitting generalized comments.

Let us now come closer to our concern by discussing those aspects of the structural adjustment programmes which are of particular importance for the cooperative movements in Africa.

1.6 Implications of structural adjustment for the cooperative movements in Africa

By way of introduction it may be useful to recall that more than 90% of the cooperatives in Africa are related to the agricultural sector. The implications of structural adjustment for the agricultural sector are therefore of particular importance. Of the different policy reforms in structural adjustment programmes, devaluations, monetary policies related to interest rates and credit ceilings, and by far most important, market liberalization and retrenchment of the state have most far reaching implications for the cooperative movements.

1.6.1 Market liberalization

Market liberalization is the structural adjustment reform with the most far-reaching and decisive implications for the cooperative movements in Africa. Of particular importance are liberalization measures in the agricultural sector. Market liberalization means competition, and competition is something many cooperative movements have not been exposed to.

With the exception for markets for minor crops, governments in Africa have exercised a nearly

complete control of the agricultural markets. Prices were determined administratively at all levels. Marketing monopolies were established and the cooperatives were often assigned to serve as implementing agents. Movement of produce were strictly regulated and transport charges were fixed administratively. It is beyond dispute that these arrangements often resulted in inefficient resource allocation in the agricultural sector as well as inefficiencies in the monopoly organizations. Producer prices which were not related to the cost of production and the cost of transport resulted in production of the wrong commodities and production in the wrong places.

The monopolistic structures for agricultural produce marketing and processing were hardly conducive to businesslike operations. These organizations tended to more resemble government bureaucracies than business enterprises. This was the fate of many cooperative organizations.

Market liberalization aims at sweeping a clean house in these regards. Prices (on input and output) are to be set by the market in order to increase efficiency in resource allocation. Transport costs are to be reflected in prices paid to farmers. State monopolies are dismantled which means that cooperatives granted monopoly positions for specified activities lose these positions. In principle freedom of entry at different levels in the marketing/processing chain should apply. International capital is invited to invest in marketing and processing facilities. The rule of the game is market determined prices and competition.

The pace of reform varies from country to country. In some countries the process is already at an advanced stage, while other countries lag behind. However, the trend is clear and irreversible: changes will decisively go in the direction of liberalized agricultural markets.

There is no cooperative movement in Africa that can lean back and say that these changes may occur elsewhere but they will not reach us.

The most obvious and important implication of market liberalization is the emergence of *competition*. One point of discussion on the structural adjustment programmes has been to what extent there will be private entrepreneurs to fill the void after a dismantling of government marketing monopolies and a withdrawal of the state from direct market operations. Situations certainly vary from country to country and within countries but some general conclusions seem to emerge from the experience so far.

Agricultural marketing is a major operation in all African countries with a very high turnover, relatively speaking. Generally, no other trading opportunity compares with trading in agricultural produce in terms of money involved. Furthermore, trading is almost always easier than manufacturing. Taken together one would therefore expect a considerable entrance of new actors on liberalized agricultural markets.

Barriers to entry vary for different products and for different levels in the marketing/-processing chain. However, almost all agricultural products are divisible which reduces barriers to entry. Cereals, coffee, cotton, beans etc. can be traded in very small lots of a bag or a few and they can be traded in thousands of tons.

Capital demanding processing and technical know-how constitute barriers to entry in varying degree. There is a lower barrier to entry in coffee processing than in cotton ginning in terms of capital requirements and a higher barrier to entry in terms of know-how for tea processing than

for coffee, for instance.

Given that barriers to entry vary, the influx of new actors on markets for different products at different levels of the marketing/processing chain will differ. Presently there is insufficient evidence on the effects of liberalization in terms of market entries. Still, some tentative generalizations of what is to be expected can be made.

If there is a profit potential in trading and/or processing, liberalization tends to attract a quick response with many new entrants on the market. For obvious reasons the number of entrants is particularly large in primary marketing. New entrants try to skim the cream of the market by entering into areas close to consumer markets, areas with substantial surpluses and areas with good transport infrastructure.

For obvious reasons new entrants show interest in products with a high profit potential and shun away from products with low profit potential. Market liberalization attracts many with limited potential and limited future as traders. Therefore, there will be a period of rapid structural change and a high "turn-over" of actors until the less serious and less skilful ones are weeded out.

Accumulation will eventually lead to further structural change with successful actors growing in size and significance. For obvious reason this process has not come very far in Africa yet.

Exportable products with profit potential attract international interest. Transnational corporations preferably establish themselves at the last step in the chain and may or may not integrate backwards into processing and purchasing of raw material.

One argument against a rapid liberalization of agricultural markets has been the assumption that there will be too few private actors to replace the network of purchasing agents under a government monopoly. In pursuing this argument it is generally not recognized that many crops have not been subject to government monopoly but handled by private entrepreneurs all along. For instance, a very substantial share of staple food crops has been handled by private entrepreneurs on the black/parallel markets in most African countries.

Experience so far seems to largely reject the presumption that dismantling of government monopolies would leave most farmers without market outlets. It is true that market entrance has been limited in remote areas disfavoured by poor transport infrastructure and often low levels of output. However, competition has developed in more favourable areas. Furthermore, when the private sector has shown little interest in a particular commodity, the reason primarily seems to have been that there is little money to make on it.

This means that the cooperatives are confronted with competition which may increase rapidly over a few agricultural seasons in areas and crops on which there is money to be made.

This competition can also be unfair. An incomplete regulatory framework and weak enforcement opens the door for cheating and abuse which may reduce costs for unscrupulous market actors.

These developments profoundly alter the situation of many cooperatives. Unless the cooperatives can meet this competition they will end up in down-turn spirals of decreasing volumes of business, deteriorating profitability of their operations, reduced capacity to pay remunerable and competitive

prices and provide useful services to members, continued flight of members, still further decline in volumes and business, etc.

Irrespective of at what level in the chain competition is felt, the implications will be the same; a primary society that is caught in the spiral will lose its membership; an intermediary organization which fails to meet competition will fail to provide primary societies with competitive prices and reliable and useful services which in turn will make the primary societies look as poor alternatives to farmers who, for good reasons, turn their backs on them. The very base will be eroded and disintegrate. This is the threat which has to be averted.

1.6.2 Credit ceilings and increased interest rates

Credit ceilings and increased interest rates are introduced as stabilization measures. Virtually all IMF programmes include conditionalities related to these measures. The credit squeeze is generally pushed further by the need for governments to borrow on the domestic capital market in order to service their foreign debt. Given the size of these service obligations, the crowding out of the private and cooperative sectors from the capital markets can be a serious impediment to investment and growth.

A particular problem facing all cooperatives involved in agricultural produce marketing is the shortage of crop finance, i.e. credit that will permit purchase of produce and prompt payment to farmers.

In a liberalized market (see below) the cooperatives have to compete with other business operations for credit. Times are then past when government agricultural marketing monopolies, incorporating the cooperatives as agents, were provided preferential access, and access with government guarantee, to credit (albeit often too little and too late).

Cooperative organizations often find themselves in a difficult situation when they have to compete for credit on markets where credit limits are imposed and interest rates are increased. For historical reasons far too many cooperatives are simply not credit-worthy. They are considered high risk clients by financial institutions and treated accordingly. Even if loan applications are not outright rejected, loans extended are below credit needs. As crop finance and working capital cannot be secured, the volume of business is threatened.

Inadequate crop financing is particularly damaging. If competitors with better access to finance can pay farmers cash on delivery, cooperatives often find it hard to compete. Cash on delivery is a particularly powerful competitive advantage. The failure to meet this competition means loss of business.

For cooperatives with fixed capacities in processing (coffee plants, cotton ginneries, oil expellers, large cereal mills, tobacco factories, tea factories, for example), a reduction in throughput and capacity utilization caused by inadequate access to working capital can start a downward spiral of decreased throughput, decreased profitability, further reduced credit-worthiness, still further reduced purchases and throughput, and so on.

High interest rates place demands on the borrowing organizations to use funds efficiently in order to bear the burden of high capital costs. As we will discuss further in section 8.4, far too many

cooperative organizations have a low level of business efficiency and find it difficult to cope with the burden of high interest rates.

Cooperatives in the financial sector will obviously also be affected by changes in monetary policies. Cooperative banks will find that re-financing facilities with the central bank are restricted and that reserve requirements reduce their lending capacity as credit limits are imposed. At the same time the cooperative financial institutions should welcome finance sector reforms which permit real interest rates. Whereas such reforms open up long-term potentials for developing deposit facilities for cooperative members, it hardly has this effect in the short run. As the cooperative banks feel the chill on a liberalized market where they have to compete with other financial institutions, they often find it necessary to tighten their policies which may not always seem to be in the interest of the cooperative movements.

One common bank response is to look for clients (both for depositing and borrowing) outside the cooperative movements. Furthermore, the cooperative banks tend to introduce more stringent screening criteria which results in rejections of loan applications from within the movement to the consternation and dismay of many.

As part of a structural change within the cooperative movements these developments may be necessary. At the same time they create tensions and raise important questions about loyalties and purpose.

Credit Unions tend to be less affected by monetary policy reforms. Their funding base and their lending operations are primarily with their members. To the extent that surpluses (deposits over lending) are to be invested, raised interest rates are beneficial.

1.6.3 Devaluations

We have already noted that devaluations are intended to shift consumption from tradeables to non-tradeables and production in the opposite direction, i.e. from non-tradeables to tradeables.

When looking at the effects of devaluations for the agricultural marketing cooperatives in Africa, it matters whether these cooperatives are marketing agricultural produce which is tradeable or not. If the produce is exported, devaluation means that higher prices will be received (measured in local currency). Such higher prices are expected to promote increased production which would also allow wider margins and offer increased business opportunities. In other words, volumes may expand and profits may increase.

To a disproportionately large extent exportable agricultural products are produced by women farmers. A boom in export crop production following from currency devaluations would tend to favour male producers rather than women producers. Business operations, including cooperative business operations, would be attracted by an expanding sector and would tend to grow in that sector. This might be in conflict with ambitions to serve women farmers.

However, the experience with the structural adjustment programmes so far does not show that devaluations have had particularly strong effects in terms of increasing agricultural export production. The reasons are not entirely clear other than for perennial crops for which a considerable time lag can be expected for a production response.

Initially the price increase following a devaluation tends to increase trading margins unless the government intervenes to capture windfall profits. Cooperatives under severe pressure from inadequate trading margins would initially find their situation improved. They would also be in a position to increase their procurement prices to farmer members or to pay bonuses. This happened for instance in Uganda when a major devaluation in 1992 gave coffee exporting cooperatives a windfall profit which permitted bonus payments.

At the same time, widening trading margins may attract new actors if markets are simultaneously liberalized. If these new entrants offer competition, trading margins will shrink and the cooperatives may find themselves losing market shares, resulting in an overall loss of income. The development of the coffee market and the experience of the coffee cooperatives in Uganda may again be taken as a practical illustration of such changes.

Cooperatives dealing in non-tradeable agricultural products i.e. those products which are sold on the domestic market are generally not much affected in their trading operations from a devaluation.

On the other hand, cooperatives trading in imported agricultural inputs, implements and machinery may be strongly affected by a devaluation. The combined effect of price resulting from devaluations and the removal of subsidies common on many types of agricultural inputs, notably chemical fertilizer, has often resulted in a reduction of demand. Cooperatives with an extensive involvement in input supply will then find that part of the base for their operations disappears.

Furthermore, the cooperatives may find that the remaining customers/members asking for this service are the larger ones as poorer members are the ones to cut their demand first.

The cooperatives will obviously also find that devaluations make imported goods far more expensive thereby putting pressure on already tight budgets. Generously dimensioned fleets of vehicles will turn out to be a financial burden, for instance.

1.7 Political transformation

Concurrently and related to economic change, most African countries are also in the midst of a process of political transformation. Under internal and external pressures ruling interests have had to give room for an increased role of civic society and introduce measures providing for increased pluralism. Part of this process is the introduction of multi-party systems in several countries.

The evolving democratization in Africa is significant to the cooperative movements in several ways. Combined with a retrenchment of the State and an expanded role for the private sector in the economic field, democratization opens the possibility for cooperative movements to become truly popular organizations independent from the State. Furthermore, a democratization of the society at large facilitates a deepening of the democracy in cooperative organizations.

The political changes can also cause problems. Beside the church, the cooperative movement in a country is generally the most widely established organizational structure penetrating the rural areas. As such it has very considerable potential political power and will attract the interest of competing political forces. The control of a cooperative movement means the control of a

considerable power base. A cooperative movement which is seen to represent certain political interests will antagonize competing interests.

In the African context cooperatives may not be respected as non-political popular organizations. Rather, they may be subject to political interests and rivalry for control.

In the past, many cooperative organizations were more or less closely linked to the ruling political interests. When new political interests take over, the cooperatives are seen to represent a defunct, defeated and often suspect order of the past. There are examples when cooperatives in this situation are suppressed.

There are also instances in Africa when political interests have co-opted a cooperative movement after political liberalization. Such influences will make it more difficult to transform previously state controlled cooperatives into independent and efficient business organizations.

1.8 The status of cooperative organizations

As an introduction to the discussion in this section there are particular reasons to re-emphasize the problems of making generalized statements about cooperatives in Africa. We are acutely aware that situations vary from country to country, from one branch of the cooperative movement in a country to another and that differences are found at all levels down to primary societies.

There is indeed a risk that we make unwarranted generalizations based on insufficient empirical evidence. However, there may also be a risk that we as cooperators are inclined to hide behind the more successful exceptions because the reality seems overwhelming and because we become defensive when the cooperatives we believe in are subject of criticism.

As we discuss in the section on methodology, the following arguments are primarily based on in-depth and first hand information from one (relatively strong) movement, first hand, but less in-depth information, from another movement and finally on ad hoc observations and advise and response from African cooperators.

1.8.1 The strengths of the cooperative movements

In order to put the discussion which follows into a perspective it is essential to outline the strengths of the cooperative movements in Africa at the very outset.

The most significant strength of the cooperative movements derives from their very many committed, diligent and skilled members. This is by far their most valuable asset. This core of committed members are the ones who have the potential to face the challenges ahead and lead the movements to a successful exploitation of the opportunities which now present themselves in the wake of economic reform and political transformation.

Of similar great importance is the strength imbedded in the principles on which the cooperative movement is based. The ideological dimension of the cooperative movement is perhaps even more relevant in an era of market liberalization where imperfections may prove harmful to poor farmers who are cheated and exploited. Under such circumstances cooperative principles will always be

appealing and cooperative activities will contribute to a system of checks and balances which is always desirable in a society.

The cooperative movements are generally by far the most well organized non-political structure in Africa with the widest coverage in terms of membership and space. This organizational structure, with all its deficiencies constitutes an important asset.

Furthermore, over the years the cooperative movements have developed skills in a range of fields from accounting, grain storage and warehouse technology, produce quality assessment, transport and logistics, just to mention a few.

In varying degree the cooperative movements also possess physical assets, such as storage facilities, processing plants, transport equipment, repair workshops, etc, which can be of strategical importance for successful penetration of a liberalized market. In these respects cooperatives are often ahead of their competitors.

Taken together these are strengths and assets of no small magnitude. Having said that, we have to recognize that some of them are not necessarily of immediate and direct full relevance in relation to the problem we are facing.

The problem is a change in the external environment which relates to one specific dimension of the cooperative movements namely their business efficiency.

Therefore, when we look at the position of the cooperative movements in the following sections, we have reasons to focus on those dimensions which have a direct bearing on business efficiency. Therefore, our focus may seem to give a lop-sided picture. So it may be but so it should be. Unless the cooperatives can meet the challenges they are facing as business organizations, they will perish

1.8.2 Disengagement from the State

One of the most promising and positive developments for the cooperative movements in Africa lately is the trend towards a defining of the movements from the State. In section 6.1 we discussed the serious implications of government control and interference in the past which effectively prevented the cooperatives from developing into member-owned, member-controlled and member-managed popular organizations.

The current trend to disengagement provides a historical opportunity for the cooperative movements. While this trend is clear, the process moves at different paces in different countries. Many countries have enacted new legislation which grants cooperatives independence. Still it is not entirely clear what these cooperative acts mean in practical terms. Loop-hole paragraphs and ambiguous formulations leave room for rather different interpretations in many cases. These ambiguities will have to be tested in practice before more definite opinions can be presented on the real nature of the relationship between governments and the cooperatives. Political trends are likely to have a strong influence on what interpretations that are made. This is also likely to mean that interpretations will vary from time to time.

A revised legislation does not always settle relationships which are not clear between governments

and cooperative movements. Typically, the financial relationship is not settled with outstanding claims and counter claims from both sides. Often asset ownership (grain stores, processing plants, vehicles, etc) is not clear. The responsibility for default with banks accruing in the implementation of activities which cooperatives were instructed to undertake by governments (agricultural produce trading operations, farm credit schemes, etc) is frequently a matter of dispute.

More subtle dimensions of the relationship relate to the role that cooperative movements have played as a part of the political structure in many countries. In this regard differences are particularly great between countries and generalizations are hence particularly difficult to make.

However, in most countries the ruling political structure was not neutral and uninterested in an organization (the cooperatives) with national coverage and out-reach to a large share of the population. Therefore, the cooperative movements were understandably not only used to implement "development" activities such as provision of marketing services. They were sometimes used for political purposes to wield support from the rural population.

All this is changing as part of political transformation towards pluralism and multi-party systems. Nonetheless, in the present transition period reminiscences from the past are in operation in varying degree.

The practical implications may vary. Causal observations suggest that they may include government (political) influence on election of office bearers and the selection/employment of senior officers, particularly at higher levels.

At times there is also evidence that there may be political resistance to the closure of defunct and bankrupt cooperative organizations, particularly at the intermediary level.

In conclusion it seems that the trend towards disengagement of the cooperative movements in Africa from the State is clear. While decisive steps in that direction have been taken in many countries, there are still question marks as to the specific and practical nature of these steps. Many of these question marks are to the detriment of the cooperatives and constitute an obstacle to adjustment.

1.8.3 The capital base

Far too many cooperatives suffer from a very weak capital base with insignificant member capital and heavy indebtedness. For all purposes scores of them are bankrupt. Not even excellent managers and enlightened boards could do much to salve them. However, it should be underlined that in many movements also those cooperative units which are not hopeless cases often are in more or less serious trouble with a weak capital base, heavy indebtedness and demanding debt service obligations.

The implications of heavy indebtedness and limited credit-worthiness have already been discussed in section 6.2 pointing out the vicious circle which limited access to working capital (notably capital for produce procurement) tends to create.

In many instances cooperatives have tied up capital in low return assets (land, buildings, etc) in the name of diversification while at the same time their core activity (trading in agricultural

produce) suffers from shortage of working capital.

1.8.4 Business efficiency

Most cooperatives in Africa have a damaging experience of being used by governments to implement policies and programmes in the agricultural sector which in the past perhaps was the most regulated and administratively managed part of the economy. Management of the sector was a matter of public administration rather than business administration. As a consequence of the nature of the relationship between the governments and the cooperative movements, this mode of operation came to characterize many movements. The task tended to be viewed as a matter of physical handling, logistics and cash flows rather than service provision, profitability and sound capital structures.

The context in which the cooperatives operated simply did not promote business-like operations. It did not foster the development of entrepreneurial capabilities in boards and among managers, and it did not attract entrepreneurs as managers. Often managers were appointed for other reasons than their entrepreneurial capability.

Scores of unsuccessful attempts to diversify activities, often on more competitive markets than that of the core activities, also bear witness to problems with business efficiency.

This experience was not the "fault" of the cooperative movements and does not in any way discredit the principles on which the cooperative movements are based, nor does it prove that cooperatives cannot be efficient business operations. The context within which the cooperative movements evolved conditioned and constrained the formation of efficient business operations.

However, it is important not to feel complacent after having demonstrated that the reasons for inefficiency in cooperative organizations largely are external rather than inherent thereby fending off unbalanced criticism. While the reasons are not unimportant, it is far more important to assess how far the business efficiency of present cooperative organizations will take them in defending their positions on an increasingly competitive market.

Unfortunately, the overall impression is that business efficiency is comparatively low in many cooperative organizations. Although there are exceptions and important exceptions, it would be fatal to "hide" behind these exceptions and fail to accept that they are exceptions. There may be a tendency to do so in times when the cooperative movements are criticized and when the tone of the debate reflects ideological considerations (on both sides) and is raised by emotions.

The lack of confidence in the cooperative organizations is also evidenced by the limited share capital that their members have been willing to invest. It must be recognized that this lack of willingness, rather than an insufficient savings capacity, explains the low level of share capital contribution.

1.8.5 Activity profiles

Many cooperative organizations at different levels have one or a few core activities. In Africa, the core activities generally relate to agricultural marketing. In addition, cooperatives have often engaged themselves in provision of credit and in supply of agricultural inputs as a logical

extension of their marketing activities.

However, diversification has often gone further and cooperative organizations are found to engage in *service operations* such as consumer stores, beer halls, hotels, petrol stations, etc, *production operations* including agricultural processing, livestock ranching, poultry farming, carpentry, brick making, handloom weaving, etc as well as other activities such as investment in housing, office buildings, etc.

In many movements there is a deliberate trend towards diversification. Diversification is also often mentioned as a way to counter the expected negative effects of external change on the core activities.

It can be noted that many activities undertaken by cooperatives in the name of diversification, particularly at the intermediary level, are questionable when they are judged from a member service point of view. The direct service to the general membership of investments in office buildings, livestock ranching, operation of petrol stations, carpentry shops, canning factories, hotels, bars, etc. is often next to non-existent.

Diversification into such activities is often justified with the indirect benefits that will accrue to the members through the profits which are expected to be generated. Far too often this argument is proven invalid as such activities more often than not are unprofitable while tying up capital that could have been used for the core activities.

The managerial implications of diversification are often overlooked. To manage a range of diverse activities is demanding. For managements which are not up to the task of managing the core activities such additions become overwhelming.

Cooperative organizations often enter into *production activities* without recognizing that such activities generally are far more complex to manage than *trading activities*.

In summary, diversification in weak organizations has overburdened managements and contributed to reduce overall business efficiency. Far too often diversification has also directly contributed to reduced economic performance by adding loss making activities.

1.8.6 Organizational structure

Cooperative primary societies are generally federated into a three and at times a four, their organizational structure. The argument here is not whether this structure has been adequate or not. Rather the argument is where in such a structure, the resources, the power and the interest have tended to gravitate.

The intermediary level has generally played a very significant role. Large volumes of agricultural produce have been handled at this level and flows of money have been substantial. To perform their functions organizations at this level have had to command considerable resources in terms of transport equipment, storage facilities, processing capacity and personnel. Centralization within the structure has often meant that accounting, auditing, loan application screening and loan administration tasks at society level often have been retained at intermediary level.

Given the crucial role of the intermediary level, the functioning of the system has depended upon the development of the organizations at this level. As a consequence much donor, government and movement interest has focused at this level. In addition to the role as a spokesmen for the movements, apex organizations have been seen as supporting units to the intermediary level. External donors have often assisted in developing the apex level as well.

This does not mean that the primary level has been totally ignored. The government has monitored the primary society level as well. The apex organizations and the intermediary organizations have implemented a range of development activities at primary society level. However, this does not alter the general observation that the focus of interest, the focus of resources and also the focus of development activities, including donor supported activities, has primarily been on the apex and the intermediary levels.

Obviously not all situations correspond to this description. The coffee cooperatives in Kenya are a striking exception where the primary societies are very strong although not necessarily independent from the intermediary level.

1.8.7 Member affiliation

In all cooperative movements in Africa there is a core of highly committed cooperators. Impressive efforts have been made by scores of cooperators to further the cooperative ideals often under highly adverse circumstances created by the historical relationship to governments. They are and will remain cooperators for ever no matter what.

In order to assess the degree of affiliation one can expect from ordinary members and the appeal of the cooperative movement to non-members: it is imperative to recall the recent history of our movements.

In far too many instances the cooperatives were not a creation through initiatives from below where people joined to solve common problems within the framework of a cooperative. Whereas it is true that genuine grass-roots level initiatives were taken to form cooperatives many decades ago, these are the exceptional cases rather than the rule. If we look at the history of the rapid expansion of the cooperative movements in Post-Independent Africa, we find a different pattern. Cooperatives were seen by governments as important rural institutions which could be used to implement government policies and programmes. Therefore, governments took a keen interest and an active role in promoting the establishment of cooperative organizations.

As we have noted, cooperatives were generally a key institution for implementing government monopoly policies in the agricultural sector. Promotion of the formation of cooperatives was then important as a means to implement these policies.

Farmers interested in commercial production of a scheduled (monopoly) crop generally had no alternative than joining a cooperative. One interpretation is then that farmers wanted to join cooperatives and certainly did so voluntarily. According to this interpretation the interest in joining a cooperative is emphasized. Another interpretation is that farmers wanted to grow a profitable cash crop and had no choice other than joining a cooperative to market the crop. The interest in the crop rather than the cooperative was their prime concern.

Our interpretation is that the majority of present cooperatives were formed through initiatives from above and not as a result of spontaneous initiatives among farmers. It is also our interpretation that most farmers joined cooperatives not *primarily* because they were interested in being cooperators but because they were interested in producing and marketing a monopoly crop or because cooperative membership gave access to (subsidized) credit and/or inputs.

This does not mean that all these farmers, once they had become members, continued to view the cooperatives as purely means to other ends and were indifferent to cooperative ideals and concepts. To the extent that their cooperatives provided them with valuable services and proved themselves in terms of their principles, a true affiliation could develop and did so in many instances.

It is indeed impossible to assess the degree of affiliation felt by the members in present day cooperatives in Africa, let alone that it is next to impossible to generalize on such an issue. Yet, let us review what might have influenced member affiliation.

Member services are likely to be paramount in determining member affiliation. All cooperative movements have performed valuable services to their members. When implementing government monopoly policies, the existence of the cooperative services was indeed a prerequisite for farmers' access to certain inputs, credit and markets for scheduled commodities. The question is if this is appreciated by members or not.

Perhaps even more important than the existence of a particular service (e.g. marketing of a scheduled crop) is the *quality* of the service. With respect to agricultural marketing this would include the price paid, whether payment is made promptly or with a delay, provision of inputs (in time and in adequate quantities), provision of dependable transport and collection service, fairness in weighing and measurement, transparency in calculations, etc.

Unfortunately, there are reasons to argue that in far too many instances services provided through cooperatives have been poor. The fact that this has been so for reasons beyond the control of the cooperatives in numerous ways is no consolation. Members in general can not necessarily be expected to have seen the difference. To them it is the cooperatives, in the end, which get the blame. Farmers have seen that prices paid to them for their produce have been low. Payments have been notoriously late. Transport has faltered and farmers have seen their produce destroyed at household or primary society level for want of adequate storage facilities and timely collection. Input supply has been irregular, inadequate and often poorly synchronized with the agricultural season. The blame for this has been given to the cooperatives.

Cooperatives in Africa are hardly member-owned. Members' share capital is generally a fraction of the total capital. At apex and intermediary levels the capital has tended to come from the government either as grants or loans altering the direction in which cooperatives at these levels have felt to be accountable.

Rather than being accountable to their general membership the cooperatives have tended to feel accountable upwards in the structure and eventually *out of the structure* (to governments).

It is a fact that many ordinary members have failed to distinguish between the cooperative movements and the government. The staff from the cooperative unions and the (government) cooperative departments have all been seen as "they" and often this has been synonymous to "the

government". Too often ordinary members have not perceived unions and apex organizations as their organizations.

This perception has been reinforced by the limited influence most ordinary members have had on their organizations. Influence has obviously been greater at primary level, but even at this level there have been frequent flaws in terms of transparency and accountability.

Needless to say not all these shortcomings have appeared to the same extent in all situations. However, there are reasons to believe that *they have been experienced to such an extent by sufficiently many cooperative members to be a matter of concern.*

As a result, it cannot be taken for granted that those who are now registered as members of cooperatives are committed cooperators with a strong affiliations to their organizations. Neither can it be taken for granted that cooperatives have a strong appeal to those who never were members. Herein lies a serious danger in times of change.

When alternatives present themselves to farmers as a result of market liberalization, there is no reason to believe that farmers will remain cooperators unless the cooperatives can provide as good services as other actors on the market. Failing to do so can result in mass exodus from the cooperatives and a more or less serious collapse of the base.

The argument that it would be better for the present members to sustain their cooperatives in the long run, even when offered inferior services is a desk argument. To a poor farmer here and now is what matters. The "long-run" will have to be dealt with when it becomes here and now.

1.8.8 External dependence

We have already repeatedly made reference to the dependence on governments which was forced upon the cooperative movements in Africa. This dependence took many forms including policy formulation, selection of what activities to undertake, appointment of office bearers and executive staff, general monitoring and control, funding for trading and processing operations, etc. The implications of dependence in these respects will not be elaborated here. Attention will rather be drawn to some additional dimensions of a dependence syndrome.

There is circumstantial evidence which suggests that the dependence upon the government had psychological effects influencing management behaviour in cooperative movements. Far-reaching, often erratic and unpredictable, government interference with the cooperatives promoted an attitude of cautiousness. Bold decisions were hardly expected. Toes should not be stepped on. "We-have-to-find-out-what-the-Department-(of cooperatives)-thinks" or "better-wait-and-see" attitudes tended to develop.

Among cooperators, particularly at higher levels in the structures, a common notion was also, and perhaps still is, that eventually the government would rescue them by providing additional finance, by deferring loan repayments, etc. This attitude was reasonable as many had experienced these shortcomings.

Another dimension of dependence that should not be forgotten is the dependence of many movements of donor funding. Donor dependence is an issue particularly at apex and intermediary

levels. There are reasons to draw attention to this dependence as it seems as if many donors now may tend to reconsider their support. The argument is that donors should not assist cooperatives in their business operations on a liberalized market (with grant funds) as this would distort competition and disguise inefficiency.

This position is most clear among non-cooperative donors but an increasing number of cooperative donors seem to argue along the same lines.

It is inescapable that the result will be a reduction of donor support to some of the activities that were supported in the past. An important source of finance is reduced.

1.9 The need for change

We concluded the preceding section by pointing out the potential costly implications of non-adjustment for the cooperative movements in Africa. Implicitly we have therefore already established the need for change.

However, let us be even more explicit here. Market liberalization, disengagement from the state and partial withdrawal of traditional donor support implies profound changes in the external environment of most cooperative movements. At the same time we have to acknowledge that far too many cooperative organizations expose characteristics which make them alarmingly ill prepared to meet the challenges on a liberalized market. Therefore our conclusion is the following:

A significant portion of the cooperative movements in Africa is presently under the threat of failing as business organizations and being competed out of the market. Unless the cooperative organizations which are threatened can make changes, and often far-reaching changes to improve their ability to provide their members with useful and competitive services, they will perish. Changes in the environment are often quick and dramatic which calls for urgent adjustment efforts.

In the short-run the need for change in any cooperative movement in Africa is conditioned by the threats that market liberalization poses. This is a necessary defensive step; adjust in order to survive. However, seen in a longer time perspective changes are also needed in order to exploit the opportunities created by a disengagement from the State and from market liberalization. In this sense the changes called for in the short-term and medium-term perspective will lay the foundation for an exploitation of long-term opportunities.

1.10 The capacity and the constraints to change

A range of context specific factors determine the capacity of cooperative organizations to make changes necessary to avert the threats and exploit the opportunities laying ahead. Again it should be emphasized that whereas the threats often are large and real, particularly in the short run, the opportunities are even greater. However, generally these opportunities cannot be exploited before the immediate problems are overcome. This justifies a preoccupation with the problems.

In the following sections we will review a number of factors which are likely to determine the

capacity of cooperative organizations to undertake changes.

1.10.1 *The size of the problem*

All organizations do have a capacity to change. The question is rather if this capacity is sufficient to ensure that changes that make a difference are initiated. The size of the problem to be addressed obviously is of decisive importance in determining whether the capacity is adequate or not. For instance, it may be concluded that very substantial cost reductions are necessary. The organization in question can certainly make cost reductions but the question is if it has the capacity to make the very large reductions that may be required.

The preceding analysis suggests that the problems which many cooperative organizations in Africa face are very considerable. This places heavy demands on the organizations in terms of their capacity to change, and it is doubtful if this capacity is always sufficient.

1.10.2 *The perception of a crisis*

The perceived seriousness of a crisis influences the urgency with which it is addressed as well as the scope and the magnitude of the efforts. Therefore, it is of vital importance how the situation of the cooperatives is perceived. It is particularly important how influential actors in the cooperative movements in Africa perceive the situation of their organizations.

Perceptions are notions in the minds of people. The methodological problems of this study are particularly great when it comes to assess subtle issues such as perceptions. In addition to "measurement problems", there are also cultural differences influencing perceptions.

To Western observers living in contexts where most dimensions of their lives and most aspects of their societies are organized, predictable and stable, even modest deviations are perceived as crises. The present economic recession with high rates of unemployment in many industrialized countries is perceived as a very deep crisis in these countries, while observers from the third world have difficulties to detect the crisis.

People living in a turmoil of uncertainty, insecurity, instability and unpredictability at a personal as well as at an organizational and a societal level get used to living with constant problems and constant crises. Under such circumstances it is hardly permissible to get overly excited over all problems. Believing in the worst outcome of all problems would simply become paralysing. One has to believe that somehow there is a solution even if that solution cannot immediately be seen.

A different and perhaps simpler way to put the point across, is to say that the perception of a problem or a crisis is a relative matter. The question is then if there are no objective measures of a crisis. Can we objectively say that many of the cooperative movements in Africa are in crisis?

The preceding analysis is hardly free from influence of a perceived crisis as seen by the study team. Yet, we would maintain that there is sufficient factual evidence to suggest that many cooperative organizations in Africa are in a serious crisis where the message is clear - adjust or perish.

Taken the preceding reservations into account there is still fragmented and circumstantial evidence indicating that the perception of a crisis is insufficient in many cooperative organizations.

In the in-depth participatory research process referred to in the section on methodology it became unambiguously clear that perception of a crisis hardly was commensurate with the threat the movement was exposed to in the country concerned. One illustration was the fact that the intermediary level of the movement had undertaken no *major* adjustment measures in spite of the fact that they had lost 50% of their market share in their main crop (from 70% to some 20%) in a few years. Another illustration was the failure of representatives from these organizations (or rather a selection of the better ones) to identify market liberalization and competition as a priority factor influencing their future.

It should immediately be added that different individuals and different organizational units may have very different perceptions of the seriousness of the crisis. A general observation seems to be that apex bodies show a considerably higher degree of concern than do intermediary level organizations.

1.10.3 *Entrepreneurial capability*

Market liberalization will lead to competition and demands on cooperative organizations to improve their business efficiency. This will place heavy demands on their entrepreneurial capability. It is hardly controversial to argue that many cooperative organizations are characterized by a low level of entrepreneurial capability. Neither are the reasons for this state of affairs particularly hard to identify.

As we have already discussed above, most cooperatives in Africa have suffered from the effects of a subordinate and dependent relationship with their governments and from having operated in a planned rather than market economy. The combination of these conditions has had far-reaching negative implications for the business efficiency of many cooperatives.

Government policies governing the operations of cooperatives were seldom based on considerations of business efficiency. Trading margins were often depressed to a point where a management, no matter how efficient, could not break even. Produce marketing tended to be merely a matter of logistics, physical handling, administration of subsidy policies and, at best, a matter of cash flows. Huge debts often accumulated and operational losses escalated without any notable consequences. Economic and financial management was often reduced to a matter of negotiating additional capital injection (credit limits) in order to keep the activities going.

Under such circumstances business talent was not in high demand. Cooperatives resembling government bureaucracies tended to be manned by administrators rather than entrepreneurs.

The trouble is that a whole generation of managers and board members at different levels have lived through and been part of this area of a planned economy. They know nothing else and have never been exposed to the chills of competition. While we cannot provide hard facts to support the argument, we dare suggest that most cooperative organizations in Africa are still managed by board members and executive staff with this background. From this would follow that many cooperative organizations suffer from inadequate entrepreneurial capacity thereby constraining their ability to adjust to a market economy situation.

The question is then if this constraint can be removed. At the heart of this question is the issue whether one can train someone to become a good businessman or not. The answer is probably that there needs to be a talent as a base and that training without that talent will not produce a good businessman. Many of those holding positions as managers and board members may not have this talent. Training them will not solve the problem. A sufficient number of them have to be replaced in order to raise the entrepreneurial capability.

We will return to the question of how this can be achieved. It is a crucial question as people and their capacities and capabilities indeed make all the difference. If those presently in charge do not possess the capacities and capabilities demanded by a new situation and they cannot be replaced, it raises serious questions about the possibilities to adjust.

1.10.4 *Present economic conditions of cooperative organizations*

In the preceding analysis we have concluded that many cooperative organizations are more or less insolvent and yield very low if any profits. Their capital structure is often unfavourable with a very limited portion of share capital. The level of indebtedness is often high, debt service obligations exceed the net income generated, under-capitalization is frequent and credit-worthiness is notoriously low.

Such conditions become serious constraints to change and managements often find that they are faced with a chicken and egg problem. Substantial capital injections would often be required as part of a plan for improving business efficiency while the current situation often effectively bars the organization from access to that capital. Members are reluctant to increase share capital in what may seem to be a defunct and non-promising business, and credit institutions for good reasons show similar reluctance.

1.10.5 *Accountability, pressure for change*

Significant for the capacity of cooperative organizations to adjust is also the degree of internal pressures for change that may or may not develop. We have certainly no clear opinion on the situation in different cooperative movements in this regard. However, we will venture to make some general observations.

Strong internal pressure for change seems to presuppose a perceived need for change and the existence of mechanisms which can convey pressures.

The market is supposed to be such a conveying mechanism for a private enterprise. If its customers are not satisfied with its products or its services, they will turn to an alternative service provider or a substitute product.

The same mechanism is at work for cooperative organizations in a liberalized market. If members are not satisfied, they will turn to other market outlets, for instance. However, in addition the cooperative movement has decisive advantages over private enterprises since it is owned by its members and is based on democratic institutions through which members can influence their organizations. Through general member and board meetings at different levels they can exert pressure for change.

This is the theory and at times the practical situation is a reasonable reflection of the theory. However, it would be self-deceptive to pretend that the theory is *what is generally practised*.

The fact of the matter is rather that ordinary members *generally* have rather limited influence on their cooperative organizations. In particular, ordinary members seem to have limited influence over intermediary and apex organizations. This is particularly disturbing as drastic changes often will be needed above the primary society level if the cooperative structure is to become a competitive organization as a whole.

Members with a limited commitment and a weak affiliation to the cooperative organizations are less likely to attempt to exert pressures for change. The reluctance will not be reduced by the difficulties to make one's voice heard as was discussed above. Such members are primarily interested in being well paid and promptly for their produce, and if the cooperative cannot do this they will simply turn their backs.

For these reasons one should not be surprised if the pressure for change from the base is limited. Where then should the pressures for change within the movement come from?

We have noted that the need for change at the intermediary level often is strong while at the same time the perception of the seriousness of the situations and the entrepreneurial capacity may not be as high as one would desire. Hence, it is not quite clear how strong pressure for change one can expect from within that (intermediary) level.

Apex organizations may often have a clearer perception of the need for change, particularly among the staff. However, apex organizations generally see themselves as service organizations to intermediary and primary level organizations. Their possibilities to take initiatives to far reaching changes vis-a-vis other organizational units in the structure is often constrained. The executive may also find that the board of the apex unit, consisting of members drawn from the intermediary level, may see things differently. Apex level pressure is then reduced.

A tentative conclusion would seem to be that pressure for change from within a cooperative movement may not be very high.

1.10.6 *Freedom of action*

In section 8.2 we discussed the present trend towards disengagement of the cooperative movements from the State. It was noted that this process proceeds at a different pace in different countries. Furthermore, it was observed that even in countries which have revised their legislation on cooperatives, only praxis will eventually show the degree to which cooperative movements are given independence.

From this follows that almost all cooperative movements still are subject to different degrees of government intervention and control which may reduce their freedom of action and constrain their ability to change.

It is hardly far-fetched to expect that "political considerations" at times may prevent cooperative organizations to dissolve defunct and unredeemable units. For instance, it may prove impossible to sustain cooperative organizations in remote areas with limited business potential as other

organizations in the movement facing competition hardly can subsidize them and as government subsidies are cut off. Yet, the government and politicians may object to the dissolution of such units and interfere to prevent it happen.

1.10.7 *Resistance to change*

In any reform process there are interests which will resist change. Even if changes can be shown to mean long-term gain for all, they very often have short-term losers as well. Change may also be resisted because it introduces a measure of uncertainty or because it demands re-thinking, re-orientation of minds, modification of procedures and routines all of which can be felt as unpleasant or demanding. The more drastic changes that have to be considered, the more some are likely to loose and the more psychological resentment they are likely to create. This is the predicament of many cooperative organizations.

Resistance to change will come from vested interests, from those who may loose their employment, their board positions, their fringe benefits from being associated with a cooperative organization, from those who feel that the demand for change questions their ability to manage the movement in the past, from politicians who still see the cooperatives as a springboard for political activity and from those at different levels who fail to see the need for change.

This long list should not be interpreted to mean that there is always massive resistance to change. The list merely illustrates that resistance can come from many quarters. The strength of this resistance will obviously vary but it will always constrain the capacity of a cooperative movement to undertake changes.

CHAPTER II

A STRATEGY FOR COOPERATIVE DEVELOPMENT IN AFRICA

2.1 Introduction

Cooperative development in the future cannot and should not be the same as cooperative development in the past. As we have discussed at length in Chapter I, major changes take place in the external environments of cooperative organizations demanding major changes in their modes of operations, organizational structure and relationship to the State. At the same time these changes also bring with them the opportunity to promote cooperative development closer to the principles on which cooperatives ought to be based (member ownership, member control and member management).

It is also critically important that any programme for cooperative development is based on a recognition that a cooperative is a specific form of business enterprise, which basically is justified only to the extent that it provides its members with economic benefits. Market liberalization makes it imperative to fully accept this view, if the right adjustment measures are to be considered.

Several actors have important roles to play in this re-orientation and adjustment process. Governments have a key role to play in formulating a cooperative development policy which enables cooperative movements to adjust. Indeed the most important role has to be played by the cooperative movements themselves by re-formulating policies, rationalizing organizational structures and by initiating a wide range of measures with the view to improve business efficiency. Lastly, donors have a role to play by reconsidering their strategies and operational programmes in support of cooperative development.

Cooperative development cannot be successful unless the different actors base their efforts for cooperative development on the same principles and notions. For the remaining discussion in this report it is therefore essential to explicitly state what these principles and notions are.

A cooperative is a specific form of business venture formed with the purpose of providing economic benefits to its members. The existence of cooperative organizations and their activities should be assessed and judged from the sole perspective of member interests and member benefits. Cooperative development should be based on the notion of a popular movement governed by the principles of member ownership, member management and member control. In a reformed market economy it is also justified to make it a principle for cooperative development that cooperative organizations in their business operations should be treated equal to other actors on the market not to be favoured and not to be discriminated against.

In the following sections we will discuss what measures that seem to be necessary and what roles the different key actors have to play in order to make cooperative development as defined above a reality.

A major concern in the following discussion is what adjustments that will be required in order to make cooperative organizations a viable business proposition in a liberalized economy. The

analysis and the prescriptions are based on the diagnosis made in Chapter I.

2.2 The role of the State

The State has a decisive role to play in promoting cooperative development as defined in section 1 above. However, the role of the State has to be profoundly re-defined. The arguments for such a re-definition are well-known and hardly need lengthy elaboration here. In summary they are as follows.

The cooperative movements have to be permitted to disengage themselves from the State for at least three reasons. Firstly, the cooperative movements cannot become member-governed and member-controlled popular movements unless the State withdraws its present level of involvement. This is an ideological argument pertaining to the political organization of society. Democratic development presupposes the formation of popular organizations permitted to set their own rules and to operate on their own terms within a regulatory framework provided by the State.

In line with this argument the State should refrain from any responsibility for the "promotion of cooperative development". This should be the sole responsibility of the cooperative movements themselves.

Secondly, a disengagement has to involve a withdrawal of State intervention and influence on factors which directly or indirectly may affect the business operation of cooperative organizations. Among other things this means that the State should refrain from influencing the election of board members and the hiring and firing of managers. Furthermore, the State should have no influence on decisions such as the selection of business activities, whom to serve, pricing policies, sales of fixed assets, investments, mobilization of member capital, staff reductions and staff remuneration.

Thirdly, the State should no longer see the cooperative movements as a means or an instrument of the State which can be used to implement its general development policies and various rural development programmes. The activities of the cooperative organizations are to be chosen by the cooperative organizations themselves. The State may request the cooperatives to undertake certain functions such as being the buyer of last resort for agricultural produce as long as the State compensates the cooperatives on commercial terms.

The withdrawal of state intervention on issues and factors which directly or indirectly have a bearing on the business performance of a cooperative organization is of particular importance. In order to survive, cooperative organizations will have to operate as business organizations without the constraining effects of bureaucratic interventions and without the burden of non-business like tasks given to them by the State.

The remaining role of the State is still an important one. The State would have the responsibility to register and cancel registrations of cooperative societies, ensure that laws under which cooperatives operate are followed, particularly with regard to auditing, publication of annual reports and protection of creditors. (This does not mean that the auditing has to be carried out by government institutions).

In this capacity the State has a particularly important role to play in rationalizing the cooperative

structure by de-registering insolvent cooperative organizations.

Cooperatives in this situation are already many at different levels and their number will increase. As they are unable to provide their members competitive services, they may prevent cooperative activities in their areas if new cooperatives cannot be registered without de-registering the existing ones. Farmers may then be pushed to other alternatives such as private traders. As the elimination of such cooperatives is a prerequisite for cooperative development, the Government Registrar of cooperatives can play a key role in supporting cooperative development by clearing the cooperative movements from dead wood.

A re-defined role of the State should be manifested in a revised cooperative legislation. Such legislation should be followed by the consequential changes in the administrative set up and in task allocation. Scores of staff in Cooperative Departments in the Anglophone areas will no longer be needed. The staff in different ministries over-seeing and directing cooperative development in Francophone Africa will have to be given other duties.

This is to say that legislation alone is not sufficient. It is equally important that the bureaucratic structures which traditionally have been assigned a role of direction and intervention vis-à-vis the cooperative movement are made to understand and to accept the change of roles. In part this is a matter of law enforcement.

The same applies to the need to temper political interference with the cooperative movements. Local MPs should no longer have any influence over the cooperatives in his (or her) area, for instance; a change which to many would seem as somewhat of a revolution.

What are then the prospects that governments will resume such a modified role for cooperative development?

The history of the past unfortunately raises doubts. As we noted in section 8.2, only a few governments have enacted new cooperative legislation resembling the role for the Government as that outlined above. A majority of the African Governments have either not changed a legislation which effectively prevents cooperative development, or they have only proven willing to consider modifications which are inadequate.

A serious concern is also the pace at which governments appear prepared to re-define their role in cooperative development. Market liberalization seems to out-pace a re-definition of this role by a wide margin. This can severely constrain the possibilities for cooperative organizations to adjust to a different market situation which is necessary in order to survive.

Pressure will have to be put on governments to reconsider their role in cooperative development. To this we will return in subsequent sections.

2.3 The cooperative movements

Cooperative development is the concern of the cooperative movements themselves to a much greater extent than it is a concern of anyone else. The impetus for change and adjustment will primarily have to come from within the cooperative movements in Africa. The formulation and

the implementation of specific strategies and operational plans for cooperative adjustment have to be the responsibility of the cooperative movements themselves. This means that the prospect for successful change will be determined by the nature and the scope of the changes which are needed, the ability and the capacity of cooperative organizations to change and the factors constraining good intentions and ambitions to change and to adjust.

External analyses and suggestions can only serve as an input and a stimulus to strategy and programme formulation within the movements themselves. For whatever it is worth, the discussion in the following sections should only be seen as such a contribution.

In the following sections we will discuss what a process of change and adjustment for successful cooperative development may entail.

2.3.1 *The basic orientation of the proposed strategy*

The basic orientation of the proposed strategy for cooperative development can be summarized under two headings.

2.3.1.1 *Top priority to improvement of business efficiency*

The diagnosis of the situation of the cooperative movements in Africa in Part I of this report clearly points to the need to give top priority to measures which will improve the business efficiency of cooperative organizations. The task is urgent, it was concluded, as market liberalization can result in cooperative organizations rapidly losing much of the market share they held under privileged monopoly conditions prior to liberalization. Warning examples are already history.

These observations strongly suggest that a strategy for cooperative development in the short to medium-term should focus on the improvement of the performance of cooperative organizations as business ventures. Furthermore, the seriousness and the urgency of the situation strongly suggests that measures which are expected to have a direct (rather than indirect) effect on business efficiency should be considered at this stage.

2.3.1.2 *A primary level focus*

The services of direct importance to members are provided at the primary society level. The primary society-level is the base without which intermediary and apex level organizations cannot exist and have no justification. Put differently, intermediary and apex organizations have a *raison d'être* only to the extent that they are of use for the primary societies and their members. It should be no end in itself to form higher level cooperative organizations.

In the diagnostic part of this study it was concluded that many intermediary cooperative organizations (in Anglophone Africa) presently constitute a stumbling block to cooperative development. Their economic position is weak, their business efficiency is low, their perception of their problems is inadequate and their capacity to change is in doubt.

In such situations there are several reasons to make the primary level the focus of cooperative development. The most compelling reason is that the key task is to improve service provision at

primary level which in a liberalized market economy does not necessarily presuppose business services (secondary marketing and processing) from intermediary level organizations. This argument has three elements.

Firstly, members have to experience that their primary societies can provide relevant services which are competitive in comparison with the alternatives open to them. Given the orientation of most cooperatives in Africa, this means that the primary societies must be able to provide a competitive market outlet for agricultural produce.

Secondly, in a liberalized market economy there will be other actors at different levels of the marketing chain. This is to say that there will be private operators performing wholesale marketing functions as well as different stages of processing. The entrance of such actors after abolishing State monopolies will vary and the resulting competitiveness of the market will indeed vary. There will be situations where private operators will provide poor services, pay low prices, cheat on weights or even simply not appear, particularly in marginal and remote areas.

However, the services provided by cooperative wholesale and processing organizations are often no better than the services of their private competitors and far too often may be even poorer. (The substantial loss of market share on the coffee market in Uganda and the cotton market in Kenya for the cooperatives after liberalization are telling examples). In other words, private wholesalers and processors often provide an alternative, and often a superior alternative, to existing intermediary level cooperative organizations.

Thirdly, the task to improve business efficiency of many intermediary level organizations in order to make them competitive is very demanding indeed. The truth of the matter is that many of them may be lost cases; it is hard to see what measures apart from total reconstruction that would make them viable and competitive. In these situations it would hardly be an advisable strategy to give priority to the intermediary level.

This does not mean that the intermediary level in all situations is of no interest and should be ignored in favour of the primary level. There are indeed cases when intermediary level organizations are strong and competitive or when the task to make them competitive is feasible. While support and interest should be directed to the intermediary level in these situations, the prime focus and first priority should still be to make the primary societies viable.

A conceivable more general objection to a relative downgrading of the intermediary level in a strategy for cooperative development could be that in the long-run primary societies and their members will benefit from the existence of a complete chain for marketing and processing in order to avoid that market concentration develops leaving primary societies at the mercy of cartels or monopolistic buyers. This is a substantive argument to be taken seriously. The weakness of the argument, however, lies in the question of sequencing.

A basic argument in this regard is that the development of successful intermediary cooperative business organizations presupposes strong primary societies whereas the development of primary societies in a situation of market liberalization does not necessarily presuppose strong cooperative intermediary organizations as there will be alternatives to them. Furthermore, there will be limited financial and human resources to support an adjustment and development process. The task to make intermediary level organizations competitive is daunting and so is the task to re-vitalize large

numbers of primary societies. Choices of priorities will have to be made.

Taken together these observations strongly suggest that major efforts to develop intermediary level organizations are generally deferred and seen as a long-term task in a strategy for cooperative development.

The discussion so far presupposes the existence of intermediary level organizations as is the case in Anglophone Africa. In Francophone Africa governments have often prevented the federation of primary societies at intermediary and apex levels. As a consequence the formation of such organizations has been seen as an important task in the wake of economic and political liberalization. The advantage in this situation is that new organizations are to be formed rather than reforming run-down inefficient existing ones. Hence, the task would seem to be easier and the chances of success greater. This does not mean that the task is easy. Considerable development resources, human and financial, will be required and it will take time until viable units with any substantial operating business capacity have been established. In the meantime primary societies will be under mounting pressure from competition following liberalization. Therefore, despite a somewhat more favourable situation to develop efficient and competitive intermediary cooperative business organizations in Francophone Africa, the conclusion is still the same - cooperative development efforts should be concentrated to the primary level in a short to medium term perspective.

However, federation of primary societies at intermediate and apex levels may be justified in order to create structures for policy formulation, lobbying and negotiation with the government as well as for provision of support services and implementation of programmes for primary society development (see below).

We will now proceed to discuss what key measures that are needed in order to achieve a badly needed improvement of business efficiency.

2.3.2 *Key measures focusing on improving business efficiency*

Whereas the following normative discussion is claimed to have general validity, it still suffers from problems of generalization. The prescriptions have general validity in the sense that they are likely to be applicable to most situations and to most cooperative organizations. Still the problem is that the particular blend of measures and their relative significance will vary from situation to situation.

For instance, in most cases measures will be different in substance between a (small) primary society and a (large, relative to a primary society) intermediary organization such as a union. We will attempt to point out these differences.

2.3.2.1 *Improving the management function*

In Chapter I, we concluded that far too many cooperative organizations are run as (government) bureaucracies by managers and boards with little or no business acumen. Such organizations cannot succeed in a competitive market situation. The management function has to be radically improved in order to improve business efficiency. One can probably go as far as to say that unless the management function can be improved in malfunctioning cooperative organizations, they will

perish. Other necessary measures under the control of the cooperative organizations will hardly be considered and introduced unless the management function is improved.

Training is then often advanced as the solution to the problem. We have serious reservations to this "solution". Only academicians and bureaucrats seem to believe that almost anyone can be trained to become an entrepreneur. There is precious little to prove this.

Our view is that training alone is *not* a feasible strategy to solve the management problems of cooperative organizations. Training can be useful in providing skills in book-keeping, financial management etc but training can never compensate for the absence of a business talent.

A telling example could be cited where a formally highly qualified team of consultants and university professors (in business administration) had prepared a business development plan for a cooperative union. The plan was a thick volume containing all the conceivable analyses prescribed by business administration text books. Yet, it was quite clear that these analyses were made by persons who were not entrepreneurs. Perhaps the most disturbing proof of this was that the plan with all its prescriptions was expected to result in progressively increasing operational losses and in uncontrollable cash flow problems within a couple a years. All this was documented by meticulously well prepared forecasts and tables. Yet, this was offered as a development plan for the union concerned.

A business talent is based on a drive to make money. It is manifested in a mind which spontaneously assesses opportunities in terms of their profit potential. A mind which thinks in terms of margins, stocks, cash position and risk. This is the mind of a trading woman selling vegetables in a market-place. This is what makes her survive in a highly competitive context in a difficult management situation with a narrow capital base, dealing in perishable products subject to wide price fluctuations.

Such business talent has to be there. There is no evidence that it can be instilled in people who do not possess it. As a consequence we reject the idea of training only, as the solution to the management problems of cooperatives. Non-entrepreneurial managers simply have to be replaced with managers who prove themselves as businessmen. For a primary society this could very well be a woman trader from a market place! At the same time a performance related remuneration system for the managers should be introduced. This should not only be a token system but a system which gives the manager a strong incentive.

For those with a business talent training can be useful. In the past, cooperative training gave altogether inadequate priority to entrepreneurial training and this needs to be rectified in the future.

Successful management in a competitive (agricultural produce) market presupposes flexibility, constant adjustment and often quick decision making. It is absolutely essential that a manager has sufficient discretion and authority to perform his/her role accordingly. One problematic characteristic of many cooperative organizations of the past is that managers lack such discretion and authority.

A change in the relationship between boards and managers is therefore generally required whereby the boards devolve considerable authority to their managers. This would involve a major change

in many organizations.

The composition of boards will often have to be altered as well. It will not be possible to meet the challenges on a liberalized market with boards which gladly bring their organizations into debt by installing new processing capacity tenfold the volume they presently process, which fail to consider the disposal of continuous loss-making operations, which refuse to consider cost reducing measures including dismissal of staff despite the fact that their organizations are bleeding to death. Recruitment of talented managers will hardly make much difference in such situations.

This does not mean that boards have to be composed exclusively of businessmen. However, it is essential that sufficient business talent is represented on the boards so that they see the merit of entrepreneurial managers and the merit of giving them sufficient authority.

The managerial task becomes increasingly difficult with the growth in size and complexity of an organization. Given that many cooperative organizations will find it difficult to find entrepreneurial and experienced managers, it is also important to see if and how the managerial task can be reduced. One way to achieve this is to reconsider the activity profile of the cooperative organizations which we will discuss in the following section.

2.3.2.2 *The activity profile of cooperative organizations*

The managerial task is highly dependent upon the activity profile of the organization concerned. The activity profile has other important consequences as well in terms of capital requirement, the structure of assets and hence financial flexibility and risk, just to mention a few. The consequences of the activity profile in these dimensions will also be discussed below.

However, let us first see how different activity profiles make a difference to the managerial task by looking at the implications of diversification and the choice between trading and processing.

2.3.2.3 *Diversification*

Diversification is here somewhat carelessly used to mean adding activities which are more or less strongly related to existing activities (i.e. to include vertical and horizontal integration and diversification).

In Chapter I we observed that many cooperative organizations at primary and intermediary level have diversified their activities. Diversification increases the management task.

The more apart the activities are in nature, the more demanding the management task becomes (at least as long as the smallness of the activities does not justify separate managements for each of them). For instance, it is rather different to run a coffee processing plant than to do cattle ranching or to operate a hotel business. It is obviously difficult to find a manager who is conversant in all three fields and who has the capacity to be successful in all three. Furthermore, administrative routines and accounting systems become far more complex if reasonable information systems related to each of the activities are to be developed.

The idea that diversification is an effective way to meet the challenges from competition in the field of the core activity (agricultural marketing) is generally misconceived. If the cooperatives

cannot meet the competition in the field in which they have decades of experience and where they have acquired considerable competence, albeit limited entrepreneurial skills, what reasons are there to expect them to be more successful in fields which are new to them? On the contrary, one would expect the chances to be even slimmer in these new fields. Furthermore, the old (core) activity is generally catering to the most important need of the members (marketing of a major crop or crops).

Some activities add more to complexity and become more demanding from a management point of view than others. Of particular importance is to consider the difference between trading and processing/production. The step to go from trading to processing or production is generally very big indeed adding new dimensions and complexity to the activities and the management of an organization. Collecting and trading in cotton is an altogether different and simpler task than ginning cotton, for example.

Trading in agricultural produce is highly divisible. Only a few bags can be traded or trading can amount to thousands of tons. Economies of scale are small or non-existent. Processing activities on the other hand are generally far less divisible and are characterized by economies of scale.

Many cooperative organizations have entered into processing as a well intended way to achieve value added. Why let someone else reap the benefits from processing, has been the sensible argument. However, more often than not has the decision to go into processing been taken with limited understanding of the demands on the organization following from such a decision. The result has often been discouraging.

"Production" here stands for a broad category of activities such as poultry farming, fish farming, cattle ranching, tree plantation, carpentry, etc which involve the production of a product (egg, beef cattle, furniture, etc). Again, such activities are of an altogether different nature than trading activities and they are generally more demanding for the same reasons that processing (of agricultural produce) is demanding.

Many such activities are also often questionable from a members service point of view.

Given these considerations and experiences, how should we look upon diversification in a strategy for cooperative development?

Two basic criteria should be used in choosing activities for a cooperative. *First* and foremost an activity should respond to a priority need of the members. *Secondly*, the cooperative must have the capacity and capability to carry out the activity in such a manner that the members are provided with a competitive and reliable service. Far more activities of cooperative organizations pass in relation to the first criterion than in relation to the second.

An overwhelming majority of the cooperatives in Africa are agricultural cooperatives with produce marketing as their core activity in response to a priority need of the members. The problem is that the marketing services provided by many cooperatives are not efficient enough to meet a competition following from market liberalization.

In this situation the basic strategy with respect to activities should be to *concentrate on the core activity and make sure that it becomes a lasting success before additional activities are considered.*

In practical terms this means that most primary societies should concentrate on trading in one or a few crops and make sure that this trading operation is successful. In turn this means that a cooperative should not add new activities until the core activity is successfully established. Before entering into new activities, cooperatives operating in an environment where liberalization has yet to come should be careful to anticipate how they will defend their core activities and manage additional activities before diversifying. A recommended strategy would be to prepare for the oncoming situation for the core activities rather than diversifying.

Many cooperatives facing competition and hence problems with their core activity (agricultural marketing) are also engaged in a range of non-core activities. The strategy is to defend these activities by adjusting and make them competitive and viable. In line with this strategy the non-core activities should be terminated unless they provide a priority member service and provided that they are competitive and economically viable.

This is *not* an argument against diversification. It is an argument against premature diversification. Diversification is an important means to satisfy different member needs and it is also potentially a means to add member benefits, for instance through processing. The argument is that undertaking many activities inefficiently will prove fatal in a competitive environment. Therefore, cooperatives should concentrate on the core activity and make it successful thereby gaining the confidence of the members, and then, but not until then, add activities step by step as the organization can expand its capacity and capability to ensure efficiency and success.

Situations are conceivable when a cooperative loses its core activity to competitors in such a way that it may be gone for good. In such a situation the cooperative may choose to establish another core activity responding to another important member need. For instance, cutthroat competition in produce marketing may become overwhelming and make a cooperative lose its members who find the alternatives superior.

However, provision of inputs may be far less developed or ignored by other actors. A cooperative can then make provision of inputs its core activity. The same arguments and criteria for the selection of activities apply to cooperatives at all levels.

Given the weakness of most cooperatives at all levels and given the exposure to competition the general strategy should be to concentrate on core activities and not to diversify until the core activities are made a lasting success.

2.3.2.4 Cost reductions

Cost consciousness has hardly been promoted in the cooperative movements under the era of government control as was discussed in Chapter I. Furthermore, cost structures are often unfavourable (a high degree of fixed costs) and cost levels are high. Loss of market shares resulting in reduced volumes of trade and processing as well as the pressure on prices following from increasing competition will necessitate cost reductions, and often very substantial cost reductions.

It should be stressed that this will be required from all cooperative organizations, including the strong ones, when they lose a monopoly position. Not even very efficient cooperatives will be able to retain a 100% market share enjoyed during a period of monopoly position. If a 50-60%

share of the market can be retained after say five years, this should be regarded as quite an achievement.

This reduction in market share will only exceptionally be compensated by an expanding total market. Therefore, virtually all cooperatives will have to adjust their capacity and costs to lower volumes of trade. Cost reduction is a must. Cooperative organizations are often characterized by high overhead costs.

Investments in fixed assets such as office buildings, storage facilities, landed property and processing facilities have often been substantial. Staff establishments are excessive, vehicle fleets are too large, fringe benefits to staff and to board members are costly, and so on. Such costs simply have to be drastically reduced as volumes of business shrink and competition puts pressure on trading margins. Cosmetic adjustments characteristic of many cost adjustment schemes at present will simply not do.

A structural problem of many cooperative movements is that they have developed organizations at intermediary and apex levels which constitute serious overheads to the base, the primary societies. Donors have often contributed very substantially to this unfortunate state of affairs. The excessive costs referred to in the previous paragraph are generally found at these levels. Whereas cost reductions will be required at all levels, including the primary society level, they will have to be particularly big at intermediary and apex levels.

As a way of reducing costs, cooperatives will often have to take a rather different view on whether to undertake an activity by themselves or whether to commission the activity outside the organizations. For instance, a primary society may require transport capacity in order to bring produce to the market (to a union, for instance). The society can either purchase a truck or hire a truck to solve its transport problem. Or, a cooperative union requires office space.

The union can construct its own office building or the union may be in a position to rent office space.

It is probably fair to suggest that many cooperative organizations in an area of government and donor support and with limited incentives to be cost conscious tended to favour do-it-ourselves-solutions, buying the truck, constructing the office building, and so on. It is true that underdeveloped markets at times failed to provide an alternative to do-it-yourself.

However, this is also changing as a result of a general restructuring of the economies and will no longer be an equally valid argument.

A qualified and cost conscious management will certainly see the point; it is no end in itself to undertake an activity by the organization. It should be done only if it makes strategically good sense and reduces costs with due consideration of risk.

2.3.2.5 *Improving the capital structure*

Many cooperative organizations are at a serious disadvantage with highly unfavourable capital structures with low or insignificant share capital and an extremely high share of loan capital. As we have discussed in Chapter I, this situation tends to create a vicious circle of a declining volume

of business, declining profitability, loss of member interest and further loss of credit-worthiness, further loss of business, and so on.

The problem is how to break such a vicious circle. Generally there is no easy answer to this question. The following options could be considered.

As far as possible the cooperative movements should prepare and make their case against their governments and press for debt relief and debt cancellation. As a matter of fact a considerable part of the debts of many cooperative organizations was incurred on government direction or outright instruction rather than as a result of mismanagement.

This is the most decisive way by which many cooperatives can make something substantive to improve their capital and debt situation. Sometimes governments are willing to take reason. An example is the Tanzanian government which has decided to write off 87 % of the debts of the cooperative unions to the government.

Much concern and interest have been directed at possibilities to increase member share capital. Again the arguments are caught by the vicious circle in which so many cooperative organizations find themselves. Members can hardly be enthusiastic about paying up additional and perhaps even substantial share capital, which would be required to make a difference, when the services they get are poor and alternatives (private traders) offer themselves. Therefore, in most situations it would be unrealistic to expect an increase in member share capital to be a serious option for radically improving the capital situation of cooperative organizations. It is even more unrealistic to expect donor capital to be forth-coming for this purpose.

If the capital situation cannot be substantially improved by any of these means, there are only two options left. Firstly, the capital requirement can be reduced or the cooperative organizations in question have to adjust rather than to hope for a miracle.

Adjustment will mean a reduction of activities to a level permitted by the available operating capital and a reduction of costs to make the operations at that level competitive and profitable.

It is true that debt service obligations, if imposed, will make any adjustment effort inadequate in many cases. In these situations there is nothing left to do but to declare the organization bankrupt and have it de-registered.

A reduction of capital needs, which is the other option, can be achieved by taking a credit from the members by simply deferring payments. This is indeed an option which many cooperative organizations in the past have used, or been forced to use by circumstances. Deferred payments is also one of the most frequent complaints among members. Large-scale use of this option is certainly highly dubious in the present situation when cooperatives badly need to improve member services and improve their image. More than that, it may be fatal in a situation of competition. One of the most important means of competition is payment of farmers in cash on delivery. The drastic loss of market share on the coffee market in Uganda by the coffee cooperatives is explained in large part by the fact that traders often have been able to pay cash on delivery which the cooperatives have not. Deferred payments in such a market situation obviously is suicidal.

A cooperative development strategy focusing on the primary society level, limiting the activities

of primary societies (generally) to trading in one or a few crops and de-linking the primary societies from secondary level cooperative organizations (giving them freedom to trade with whoever they want as proposed in section 3.2.6 opens up interesting perspectives and possibilities on a competitive market.

A primary society which is paid cash on delivery will hardly require any capital for its trading operation. Produce is gathered from the members, weighed, recorded, negotiated and sold. The proceeds are then distributed among the members.

Admittedly this situation is not at hand on all markets and trading with newly established private traders may entail risks. We will have more to say on these matters further below.

2.3.2.6 *Organizational structure*

The development of cooperative movements in the past, at least in Anglophone Africa, has always aimed at a multi-tier (generally three tier) organizational structure where the secondary level has been expected to perform important wholesale and processing functions. The primary level has been linked to this level by implied or explicit inter-trade obligations. In many instances the link has been even stronger when the secondary level has taken over accounting functions and payment to farmers from the primary societies, for instance. In some cases society managers have been appointed, recruited and paid for by secondary level organizations.

At the same time we have noted that secondary level cooperatives often cannot provide the primary societies and their members with competitive services and cannot be expected to do so in the foreseeable future.

Under these circumstances it is necessary to have an open mind with regard to the organizational structure of a cooperative movement. More specifically, when secondary (or tertiary) level organizations cannot be made to serve the primary societies adequately, they have no longer right to claim the loyalty of these societies and they have no longer a justification for their existence.

A profoundly important conclusion following from this line of argument is that primary societies should be de-linked from secondary level organizations. In particular primary societies have to be given the right to trade with whoever they prefer.

The primary societies should be under no formal or informal obligations to market produce through intermediary level cooperatives. Furthermore, any other link between primary societies and secondary level organizations such as accounting and appointment of managers should be broken unless a primary society explicitly chooses to retain them.

The secondary level cooperatives should be forced to prove themselves. If the primary societies turn their backs on them and the loss of business means their ruin, so be it. They should then be closed down and de-registered.

Efforts should not necessarily be made to reconstitute such defunct units assigning them the same role as their predecessors, unless it is clear beyond any doubt that preconditions for competitive performance is at hand with the new organization. *This should never be taken for granted.* Furthermore, the initiative to form a secondary level cooperative should come from primary

societies as a reflection of their felt needs and not from an apex organization.

Secondary level organizations with a different role from the one we know today should be considered. Rather than performing business functions, such secondary level organizations can be made into support and development units for primary society development. In this regard an apex organization can play an important role by advising primary societies to consider such a different role. (See further the section on support programmes for primary society development below).

Apex organizations often need to revise their orientation and internal structure. In the past much of their efforts have been directed to assist and develop the intermediary level organizations. This should no longer be their priority. Their priority should be primary society development with a focus on improving business efficiency. This will most likely mean a re-definition of tasks, a new manning plan and modified organizational structure in many apex organizations.

2.3.2.7 *The organizational structure at primary society level*

The organizational structure is of particular importance in a development strategy which gives priority to one of the levels in this structure. In many cooperative movements there has been a trend to enlarge small primary societies. Small units have been regarded unviable. More specifically it has been argued that a society needs to be of such a size that it can bear the cost of an employed manager, and maybe other staff.

At times the argument has also referred to the ability to bear costs for storage facilities, processing facilities or transport equipment. A range of (diversified) activities have also demanded more overhead arrangements which a small primary society has had difficulties to support.

The strategy for cooperative development proposed here leads to a different conclusion. The conclusion is that primary societies (generally) can be and should be *smaller* and not *larger* at this stage.

It should be recalled that a concentration of activities on trading in one or a few crops is advocated. It should also be recalled that trading is highly divisible and is characterized by limited economies of scale. The managerial task is considerably reduced when the activities are limited to trading. Many primary societies, assisted through training, will be capable of handling these tasks. In situations where the task exceeds the capacity of a small primary society with limited numerical skills, for instance, ad hoc, temporary (paid) arrangements can then be made with a local school teacher to assist. Such arrangements would also be justified since trading is a highly seasonal activity for most crops. It would hardly make sense to have a full-time paid manager to do trading during one or two months. Finally, in a cost reducing strategy where transport is hired rather than acquired and where heavy concrete stores are replaced by simple sheds, for instance, there will be less overheads to carry.

Such a strategy will permit smaller primary societies. The formation of small primary societies is no end in itself but it serves other purposes of importance for success. Problems with transparency and accountability are endemic in cooperative organizations, including primary societies. The implications of such problems on member interest and member commitment are well-known. Such problems are invariably larger in larger organizations and they are larger in organizations whose membership is constituted with little regard to the social organization of local communities.

In the past, cooperative primary societies have been formed with only limited attention paid to social realities. Economic considerations and cooperative principles have been permitted to supersede social considerations. Looking at the cohesion and viability of many self-help groups, a characteristic they share is that the membership is based on an already existing social relationships and social organization.

To a much greater extent than in the past, primary societies can be formed on grounds of social affiliation when their business strategy permits smaller units. This will make the primary societies more cohesive and increase internal social control and mutual loyalty. Therefore, an important element of this strategy is to reconsider the organizational structure at primary society level with the view to reduce rather than increase the size of these societies and as far as possible base their membership on existing social formations in local communities.

While this is the general prescription, there are situations where existing primary societies are strong and have an activity profile which hardly would suggest a reduction in size. The tea and coffee cooperatives in Kenya are a case in point.

2.3.3 *Cooperative principles*

The present strategy places business efficiency at the forefront. This may give the impression that all what matters is business efficiency. In the extreme case a cooperative could then be run by a manager as a private company.

Whereas this strategy gives top priority to business efficiency, it also stresses the significance of cooperative principles. There is no contradiction between the two. It is true that the interpretation of member control may have to be changed to give a manager a larger freedom to act in a businesslike manner. This, however, does not contradict the principle of member control.

The strategy which focuses on the primary society level and which advocates small primary societies offers particular potential for reviving cooperative principles. The smallness of a society makes its operations close and visible. In a more immediate way the activities tend to become a matter for all. Participation can become direct rather than through representatives and participation is the base on which the cooperative principles rest.

We therefore conclude that this strategy is not only "compatible" with the cooperative principles but a superior way to promote them.

2.3.4 *Gender*

Since considerable time there is now full recognition and acceptance of the significance of gender both as a matter of principle (of equality) and as a matter of relevance for economic development. This consensus is indeed not confined to the cooperative movements. The issue has been brought to the forefront in numerous ways and figures in almost all deliberations on development issues, in policy statements, in sector analyses and in project documents.

Specific development activities have been implemented in large numbers in order to promote a change in roles and relationships from a gender perspective.

Despite these efforts and the prominence given to gender issues, it is a fact that the process of change is disturbingly slow. (So it is not only Africa but also in the North for that matter). This should hardly be surprising (although it may be frustrating) bearing in mind that gender relations reflect deep-rooted cultural and social values which by their nature are hard to influence. The resistance to change in the North despite radical economic transformation, equality in education and record high participation of women in the labour market bears witness to this.

All concerned with the gender issue grapple for practical ways to promote the process. The principles are easy to state. The difficulty is to find the practical means. In this regard cooperatives are certainly no exception. We all look for good ideas. We all would like to see a much higher participation of women in cooperatives. The problem is how this is to be achieved when the root cause is related to deeply held values by women as well as men who are not easily affected by awareness campaigns, education and information and hardly served by imposition and force (quotas in positions etc.).

The gender issue should also in the future be held at the forefront in the cooperative movement. Cooperative development strategies should explicitly recognize the issue and take a clear stand in principle. Continued efforts should be made to seek practical means to influence the underlying values while accepting that this is a difficult and time consuming process.

In the discussion of cooperative development outside the formal (registered) cooperative structures in section 4, we note that a majority of these informal activities are undertaken by women. Our strong emphasis on substantially increased support to such non-formal ventures (on a cooperative basis) represents the most important operational aspect of this strategy to promote gender issues.

2.3.5 *Influencing the relationship to the State*

We have already noted that a continued Government intervention and interference with the cooperative movements will severely constrain their possibilities to adjust to the demands of a competitive market economy. Rapid economic liberalization and a slow and lagging change in the relationship between the cooperative movements and the State can prove fatal.

Therefore, the cooperative movements have a crucial role to play in influencing this relationship. Independence from the State is not necessarily given on the initiative of the State. Furthermore, the cooperative movements are likely to demand more freedom than most States are willing to give, at least initially. Independence has to be demanded and often fought for. As spokesmen for the movements, apex organizations have a key role to play in claiming and lobbying for this independence.

A concrete objective should be to have the cooperative legislation revised and to influence its formulation. Most apex organizations do see this as a crucial task and are already involved in this process. An example of a successful involvement is the achievement made by the apex organization of the cooperative movement in Uganda.

2.3.6 *The probability of adoption*

In the foregoing sections a range of measures have been proposed in order make present cooperative organizations competitive on liberalized markets and thereby attractive and useful for

their members. In light of the diagnosis in Chapter I it could also be argued that these measures will be required in large degree merely to secure the survival of many cooperatives.

The list of measures is long and many of them are demanding indeed. What are then the prospects that such measures will meet with wide approval and be adopted with the vigour and firmness that the seriousness of the situation demands?

We have argued that a far-reaching disengagement from the State is likely to be a precondition if cooperatives will stand a fair chance to adjust and become competitive business organizations.

This precondition alone casts a long and dark shadow over the prospect for successful adjustment. Despite much rhetoric, few governments in Africa seem to be willing to give the cooperatives the autonomy they require. Other reform measures are either unlikely to be considered with continued government involvement or, if attempted, will prove to be of limited significance. In other words, continued government involvement with the cooperatives is a serious threat to their future. In a worst case scenario cooperatives will then lose most of their business and their members. They will continue to exist only in statistical tables, speeches and government plans. For all practical purposes scores of cooperatives will be dead but they will appear to "exist". (Sadly enough this is the situation with a fair number of cooperatives already).

In Chapter I an attempt was made to assess the capacity of cooperative organizations to adjust and the factors which determine this capacity were reviewed. While pointing out that this capacity indeed varies and that many organizations certainly have the capacity it takes, the general conclusion was different.

When the list of measures outlined above is related to a limited capacity to change, a rather pessimistic conclusion is inescapable. The prospects for intermediary cooperative organizations in Anglophone Africa seem to be particularly gloomy.

Many of them are unlikely to survive. Any attempt to salvage them would be a waste of resources and time and delay the emergence of something more useful in their place.

The prospects are considerably brighter at the primary society level. The reason is primarily that the measures required in order to put them into business often are considerably less dramatic and less demanding. This is not to say that re-vitalizing scores of dormant and semi-dormant primary societies will be easy. It will take time, resources and hard work but it is feasible.

2.4 Cooperative development outside the established formal cooperative structures

Up to this very point the discussion has exclusively been confined to the problems and prospects of formal cooperative organizations. This focus is hardly surprising given the origin of this study. However, a discussion of cooperative development in Africa would indeed be seriously flawed unless cooperative development outside the formal structures was not recognized.

As a matter of fact, it could be argued that cooperative development in Africa worth this label with some notable exceptions often takes place outside the formal cooperative structures. It is also a paradox that cooperative donor agencies for decades have upheld a facade and

supported organizations claiming to be cooperatives while only remotely resembling true cooperatives, and largely ignored the existence of large numbers, albeit small, of informal cooperative ventures fulfilling most characteristics of genuine cooperatives.

Such spontaneous self-help organizations which are formed on the initiative of the members themselves as a means to solve common problems, governed by rules set by the members, managed by their members and indeed "owned" by the members have always been there.

They have been formed to cater to cultural, social and economic needs and they have taken a great variety of forms, addressed diverse context and group specific needs and affiliated diverse constellations of members. An interesting observation is that such self-help groups often are formed by women.

The African crisis discussed in Chapter I has enhanced the significance of self-help efforts. Under the hardship of the crisis reflected in the inability of governments to assist people in need and maintain basic services, people have had to take things in their own hands. In many instances they have joined hands to solve their problems through cooperative efforts.

Self-help groups have also been "discovered" by development planners and donor agencies who see the potential of this phenomenon as a leverage to development. Governments and donor agencies alike advocate self-help approaches and the promotion of self-help groups and organizations. NGOs in particular have often made "self-help" the characteristic of their approaches and informal self-help groups their counterparts in development.

The formal cooperative organizations have generally seen self-help groups as a pre-stage to "real" cooperatives. The term pre-cooperatives has also frequently been used to denote such informal organizations. (In some countries, such as Senegal and Ivory Coast, "pre-cooperative" has a legal meaning since legislation has been enacted to set the rules for their existence). The implied idea has been that pre-cooperatives eventually would graduate and become formal cooperatives.

Typically, many or perhaps most informal cooperatives or self-help groups seem to have shown little interest or outright resistance to the idea to become formal registered cooperatives. Casual evidence suggests that they might be unwilling to come under the heavy hand of a government controlled cooperative movement.

If there are phenomena which can be termed genuine cooperatives (formed on local initiative in response to a shared need, managed by its members, etc) outside the formal cooperative structures, whose "responsibility" is it to promote and support such cooperative development?

Clearly the government has a responsibility to provide a legal and regulatory framework which promotes their formation, facilitates their existence and ensures that they can retain their popular character. Part of this responsibility is to provide a framework which permits different forms of cooperative organizations. An important step in this direction would be if governments in Anglophone Africa introduced a legal alternative to present cooperatives and companies limited similar to "groupements d'intrt conomique" (GIE) in Francophone Africa.

An important question is how existing formal cooperatives should relate to cooperative activities on a self-help basis outside their own structures. In principles there are no reasons why formal

cooperatives cannot promote and support such cooperative activities (presumably with the implicit view that one day they will become formal cooperatives).

In practice however, it is highly questionable whether formal cooperatives can make promotion of (informal) cooperatives a high priority. Bearing in mind the very considerable task which the formal cooperative organizations face to transform themselves and fight for survival, it would probably seem odd from their perspective to give priority to tasks outside their own organizational framework.

In conclusion it does not seem as a particularly convincing argument that existing formal cooperatives could become important actors in promoting cooperative activities outside their own organizational framework. They will have enough to do cleaning up their own house.

How donors may relate to non-formal cooperative development will be discussed in Chapter III of this report which is an attempt to outline some principles for a donor assistance strategy for cooperative development. We now turn to this task.

CHAPTER III

A DEVELOPMENT ASSISTANCE STRATEGY FOR COOPERATIVE DEVELOPMENT

Development assistance for cooperative development has to be re-oriented to support adjustment and transformation of cooperative organizations as discussed in Chapter II of this report. The following basic principles should guide the way in which such assistance is given.

3.1 Assistance on a Movement-to-Movement basis

Donor assistance should be given on a movement to movement basis. This means that agreements on cooperation and channelling of development funds should be a bilateral relationship between the cooperative movement in a donor country and the cooperative movement in a recipient country. Agreements should *not* be signed with the government in a recipient country on behalf of the cooperative movement and funds should *not* be channelled through government accounts.

Likewise, government funds for cooperative development in the donor country should be placed at the disposal of the cooperative movement in the donor country. In other words, a movement to movement arrangement presupposes that the cooperative movement in both ends are the key actors.

This principle has to be pursued with vigour. A government in a recipient country which is not willing to accept a movement-to- movement relationship is in all likelihood not willing to provide the cooperatives with the autonomy we have argued is a prerequisite for success in the adjustment process. The failure to achieve a movement to movement relationship due to government objection raises serious doubts about how meaningful it is to provide assistance to the formal cooperative movement in the country concerned. In all circumstances it suggests a very careful assessment of the preconditions before major commitments are made.

It should be noted that a government donor agency can play an important and constructive role by lobbying with governments for the disengagement of cooperative movements.

3.2 Partnership in cooperative development

As far as possible cooperation between two movements should be characterized by partnership and equality. However, we have to admit and recognize that this ideal situation is seldom fully possible to achieve for the inescapable reason that one movement is the receiver of assistance given by another movement. In such a situation there can never be equality. It is hardly meaningful and constructive to ignore this fact. On the contrary, there are good reasons to bring it out and discuss its implications.

Successful cooperation for cooperative adjustment presupposes shared concerns, shared objectives, shared perceptions of what the problems are and what the remedial measures ought to be. As an entry point and as a partner for cooperation, it is particularly important that these perceptions are

shared with the apex body, where such a body exists.

In a situation of inequality that cannot be avoided, it is indeed a subtle issue to determine to what extent commitment, sense of crisis and urgency, perception of problems, objectives, etc. are shared.

Deeds rather than words will be a valid indicator. Therefore, a donor should enter into a dialogue with the apex organization as a preliminary phase to a more substantive involvement in a support programme. In this phase a context specific strategy for cooperative transformation should be elaborated jointly. This could mean a modification of the strategy proposed here or some other strategy of a similar nature.

In a subsequent phase the donor should take a wait and see position in order to give the local organization time to demonstrate its commitment to what has emerged in phase one in practical measures. Alternatively the donor can base its judgement on what the local organization has done in terms of adjustment in the past. Depending upon the experience in this phase the donor may decide to proceed or to withdraw.

In a situation where there already exists a support programme which ought to be revised, this process should be initiated at the time the current agreement comes to an end.

3.3 The donor as a supporter, the receiver as an executor

The donors should *not* have an executive but a supportive role in the formulation and implementation of a programme for cooperative development. The executive function should rest with the recipient cooperative organization.

While the leading role should rest with the recipient organization also in the programme formulation phase, this should preferably be a joint effort. This compromise on the principle of the donor as the supporter and the recipient as the executor is justified for the following reasons.

The policy dialogue between the two cooperating movements suggested in the preceding section is attempted to bring about a shared strategy or perspective on cooperative development. Experience clearly shows that useful as such a dialogue is, it always leaves unresolved policy issues, and more commonly, leaves an impression of agreement where it may not exist. The most common source of such disagreements in disguise is that the specific meaning of concepts such as participation, poverty focus, high priority, member interests, urgent, important, etc is not made clear. A Scandinavian donor agency is generally giving a different meaning to the statement that "gender issues have to be given high priority" than a government or cooperative organization in a developing country.

Such differences tend to surface when the principles of a strategy are to be applied in the formulation of an operational programme. As such differences ought to be identified and thrashed out at an early stage, donor involvement in the formulation of a programme is instrumental in making this happen.

The role of a donor in the implementation phase of a programme for cooperative development

should be more strictly supportive than during the preparation phase. The rationale for this division of roles is simple and convincing. The key task is to build strong local organizations which can successfully perform their duties on a sustained basis. A donor take-over of executive functions invariably becomes a substitute for institution building. On this point experience is conclusive.

Furthermore, the psychological effects upon the staff in a local organization from a partial donor take-over are often negative for understandable reasons. Such a takeover may cause more damage to the organization than what might be gained in terms of implementation efficiency.

This does not mean that donors cannot provide technical assistance. However, it means that such technical assistance personnel reports to superiors *in the local organization*. There should be no line of command between the donor and the technical assistance staff.

The donor has a legitimate interest in monitoring the performance of a joint programme. In this monitoring role lies also a control function as it is legitimate for the donor to make sure that what has been agreed upon is adhered to. However, these are not executive functions.

What happens in a situation where the apex organization, which is the logical entry point and cooperating organization for a donor agency, is not an acceptable partner? Differences in views on what the problems are, how serious they are and how they should be addressed may be so profound that the base for a joint programme for cooperative adjustment simply is too weak. Yet, the "need" for an effort is there and the loyalty of the donor should be with the members at grassroot level.

A tempting response by the donor may seem to be to set up project organizations which by-pass the local (apex) organization and implement a support programme for primary society development. This is *not* a feasible strategy for several reasons, however. Firstly, a donor cannot and would never resume the long-term responsibility that would be required to make a primary society development programme a success. Secondly, a donor would hardly be able to launch a programme of such a scope that would cover more than a fraction of the primary societies. Thirdly, it would be politically unacceptable to see a donor project organization more or less openly replace an apex organization.

There is no simple and generally valid answer to the question what to do in such situations. One answer could be to give up the idea of support to a particular cooperative movement. Another answer could be to use the apex organization as an entry point but make sure that sufficient influence is exercised to ensure that a relevant support programme is formulated and implemented in line with a revised strategy for cooperative development. The context specific circumstances will have to provide the answer.

3.4 Assistance without creating dependence

Many apex and intermediary cooperative organizations have been, and still are, unacceptably dependent upon donor funds. This is almost as bad as dependence upon government funding and clearly does not contribute to sustained development. Donor assistance should be given with explicit recognition of how and when the activities undertaken with donor funds can be supported

by local funding. Alternatively, it should be convincingly demonstrated that an activity supported with donor funding has a logical time limit, or that the activity can be terminated with lasting benefits. The principles for donor assistance outlined in the preceding section apply regardless of what strategy for cooperative development that is the basis for cooperation between cooperative movements. The principles which are discussed in the following sections are based on the assumption that the strategy for cooperative development outlined in Chapter II is accepted.

3.5 The choice between transformation/adjustment of existing cooperative organizations and cooperative development outside these structures

Whereas it is foreseen that donor support also in the future primarily will be directed to formal cooperative organizations, a donor can also choose to provide assistance to cooperative development outside formal structures. As we have discussed in Chapter II, genuine cooperative development in Africa today to a considerable extent takes place *outside* the formal cooperative organizations.

As matter of principle donor agencies should take a radically different attitude to cooperative development in the sense that cooperative development outside existing formal cooperative structures should be seen as potentially equally interesting.

Hence, far more interest should be given to cooperative development outside formal cooperative structures by cooperative donor agencies than has been the case in the past.

However, it has to be recognized that support to cooperative development outside the formal structures calls for a different strategic approach and different modes of operation. It will also take partly new skills from the donor agency.

Therefore, the donor agency must be prepared to adjust its modes of operation and acquire the skills required to fulfil such a broader supportive role for cooperative development. Only then are the considerations in the following paragraphs relevant.

A donor can choose to focus its cooperative development assistance either on support to adjustment and transformation of existing formal cooperative organizations or on support to cooperative development outside formal cooperative organizations.

Obviously support can also be given to both types of cooperative development. In all likelihood this might be the most common situation. The orientation of the assistance has to be decided on a case by case basis.

In situations where the formal cooperative organizations are characterized by:

- severe constraints by continued government control and intervention,
- inadequate capacity to adjust in relation to the need for change,
- this is foreseen to be a lasting situation in the foreseeable future, and
- and where cooperative development flourishes outside the formal structures,

the obvious choice may seem to be to focus exclusively on cooperative development outside existing formal organizations.

In situations (countries) where there is considerable potential for successful adjustment within formal cooperative organizations in line with the strategy outlined above, focus may exclusively be directed at these organizations. In many cases there may be situations in between, where modest pilot efforts seem to be justified within formal organizations at the same time as important developments outside these organizations can be supported and vice versa, when activities in the formal sector do not exclude activities in the informal sector.

3.6 Considerations of relevance for support to informal cooperative activities

Cooperative development in self-help groups outside the formal cooperative organizations is typically characterized by diversity and smallness. This development is diverse in the sense that the activities of such groups may cover a wide range of economic, social or cultural needs by single-purpose or by multi-purpose groups. Self-help groups are also diverse in form, operational modes and membership.

Self-help groups are also typically small, and more often than not are they formed and function in a local context without any relation to other groups. Only exceptionally are such groups federated into regional or national structures. Such an exception is the Federation of Women's Savings groups in Zimbabwe.

The potential of self-help groups as a leverage for development has already been noted. Extensive interest by governments, donor agencies, NGOs and researchers in self-help groups is documented in a rich literature which cannot be summarized here.

Any cooperative donor agency that would seriously consider to provide support to self-help groups has to make a very major effort to get closely familiarized with this literature and the experiences behind it, provide training to its staff and probably look for additional staff with first hand experience from working with self-help groups.

Here we will only point out a few major issues which need to be considered.

In far too many instances self-help groups have been used by governments, donor agencies and NGOs as receiving mechanism for assistance decided upon and designed by the external agency. For instance, self-help groups have been seen as useful institutions for implementation of drinking water schemes, preventive health care programmes, physical infrastructure development such as building feeder-roads decided upon, designed and funded by external agencies.

Despite attempts to "involve" and "consult" local people, such approaches have generally meant that the basic principles upon which self-help groups have been formed and operate are undermined or contravened.

The initiative is taken away from the group. Furthermore, the group no longer makes its own decisions, it implements decisions taken by others. The group and its leadership is no longer accountable to the members of the group as resources are external rather than provided by the members. In most cases the external intervention creates dependence which indeed is fundamentally at variance with the concept of self-help.

Although the top-down nature of such interventions may not be as obvious and the authoritarian tone may not be as loud and clear as that of governments in their relationship with cooperative organizations in the past, the basic notion is the same - self-help organizations are seen as *instruments* to be *used* for development.

Cooperative development in support of self-help organizations does not see these organizations as a mechanism to be used. The key word is support. Support should be provided to self-help groups on *their initiative*, upon *their request*, for *purposes they decide* and in forms and scale which do not undermine their independence. To find this balance is no easy task and demands consciousness of the problems involved, great care and experience.

Among other, this means that support to cooperative development through self-help groups to a considerable extent has to be re-active rather than pro-active. It is a matter of making ones presence known, to enter into dialogues with self-help groups on their terms and to cautiously respond to requests as they may be forthcoming with a constant eye on the conceivable implications with respect to the principles briefly mentioned above.

An operational difficulty in supporting self-help groups by a cooperative donor agency is generally the difficulty to identify a cooperating partner. Few have federated into organizations with some coverage. Obviously the donor agency cannot and should not attempt to build up its own local organization (in a country) for implementation of support programmes in direct interaction with scores of self-help groups. A more appropriate strategy is to find local organizations which perform this function. Such local organizations are likely to be local NGOs, and at times international NGOs. These NGOs should be scrutinized in relation to the principles elaborated above before a relationship with them is considered.

Local presence and intensive monitoring on the part of the cooperative donor agency is probably the best way to ensure a selection of relevant partners. This may presuppose that the donor establishes country or regional offices.

3.7 Only support to organizations with a potential

Care should be taken to ensure that support is only provided to cooperative organizations with potential for successful adjustment and adequate capacity to make necessary changes. For instance, business consultants should be used to assess this capacity before support programmes to organizations with major business operations, such as the intermediary organizations in Anglophone Africa, are entered into.

It is critically important that support programmes do not maintain doomed cooperative organizations through artificial means. In the interest of cooperative development a seemingly tough stand often needs to be taken.

Furthermore, a donor agency should actively work for having defunct cooperative organizations closed down and de-registered as part of any support programme.

3.8 Grant support to non-business activities

As a general principle, donor grant support should not be given to activities which have a direct impact on the profit and loss statement of cooperative organization. In other words, support should not be given to the business activities of such organizations.

Such support could easily disguise the inability of a cooperative to make necessary adjustments and give the false impression of economic viability. However, nothing of what is envisaged in the support programmes for primary society development would be of this nature.

In support programmes for adjustment at intermediary level, grant funds can be used for implementing the process of problem review and analyses, including business consultant studies which may be part of such a review as well as training that may be part of a reform process.

3.9 Support programme ideas

We will in this section briefly delineate what we consider to be relevant in terms of type of support for the cooperatives in the situation they now are facing. It goes without saying that the type of support to be provided will depend on the local situation. However, in conformity with what we previously have argued about the possibilities to generalize about the present cooperative situation in Africa, we believe that, in a similar manner, it is possible to make some generalized observations about the type of assistance to be provided. Furthermore, it is again emphasized that any development programme must be the result of the deliberations between two parties, in this case the African cooperative and the donor organization.

In the following sections a tentative list of support programme ideas in line with the proposed strategy are briefly summarized.

3.9.1 Re-orientation and awareness raising

Previous sections of this report have pointed out the scope and the orientation of the changes many cooperatives in Africa will have to undergo in the immediate and the medium term future. These changes will put tremendous strain on the cooperatives and their ability to change. By own experience the cooperators in Europe have intimate knowledge of the *process of change*, and their experience in this respect would be of value to their counterparts in Africa.

It is not only a matter of initiating and undertaking the various economic and technical measures of reform leading to greater business efficiency. But there are also the more subtle and mental aspects of change, which inter alia include the mental capacity as well as resistance to change, the need for visions and the necessity for strategic philosophy and thinking.

The cooperators in Africa will need assistance to undertake the economic and technical changes, but they would also be helped by a dialogue with a counterpart with own experience of the elusive intricacies of the process of change.

Awareness Campaigns. Closely connected to, and actually preceding the transformation process, is the stage of awareness. Without awareness of the changes in the environment and how they will

affect the cooperatives, there are no prospects for change. Change may come, but only forced by the market forces, and this could be too late. This awareness must not be confined to the cooperative leaders, it has to permeate the entire cooperative structure. Many cooperative leaders fully recognize this, and have also embarked upon campaigns to raise the awareness among the cooperative organizations. Cooperative donors should be prepared to assist in raising awareness, it would not only be helpful to the African cooperators, it would also contribute to a greater understanding of the complexity of current situation on the part of the participating donor.

3.9.2 The dialogue with governments

Governments need to adopt a *policy framework* and enact a *cooperative legislation*, which will enable the cooperatives to function as independent business organizations in a competitive environment. Simultaneously, Governments will, as part of the liberalization of the economy, also revise policies and legislations affecting commercial trade in general. Of particular interest for the agricultural cooperatives is the revision of the regulations governing marketing and pricing of agricultural produce and inputs (the Agricultural Marketing Act and similar type of legislation).

One of the highest priorities of the cooperatives in the present situation, is to maintain, and in some cases to intensify, the dialogue with the Government in the above mentioned areas, as well as others of interest to the cooperatives, for the purpose of promoting the interest of the cooperators. Considering the importance of the cooperative dialogue with the Government, the European cooperatives should be prepared to provide financial support as well as technical advice in this field.

It should in this context once again be mentioned that we realize that cooperatives cannot expect to achieve independence from the State overnight. It will for several reasons be a gradual process, but this process should to the extent possible be as short as possible and there should be no doubts about the direction.

3.9.3 Primary society support programme

Adjustment and transformation of cooperative organizations is a task for the organizations themselves and has to be undertaken from within. However, such a process can be assisted from outside.

In particular, it seems justified to promote and stimulate such a process at primary society level through external intervention. Primary societies in many cooperative organizations have not enjoyed much freedom and have been used to act on instructions from above. Initiatives are then not necessarily forthcoming unless the conditions introduced by this strategy are clarified to them and a self-help approach is promoted.

This is hardly the place to elaborate the details of a primary society support programme. Furthermore, such a programme will have to be context specific. Some general observations on what it may entail can be made, however.

The strategic framework for such a support programme is given above. To put it simply, a participatory extension programme is foreseen. In a problem solving dialogue with primary societies, a cadre of cooperative extensionists could help societies to review their situation and

develop a "plan" for how to become competitive (concentrating activities, reducing costs, simplifying the management task, reducing capital requirements, etc). The extensionists should also assist the societies with market information (names of traders, prices, transport facilities for hire, etc) without taking over the marketing tasks.

Many apex organizations with donor support have introduced support programmes of this nature. These efforts need to be substantially increased compared to more conventional primary society development programmes. The focus of the programme proposed here should be how to make the business operation of a primary society viable and competitive. It is a problems solving and operational programme aiming at very specific and concrete issues.

3.9.4 Guarantee funds

One serious constraint of many cooperative organizations, particularly at the intermediary level, is the shortage of working capital suppressing the volume of business and bringing the organization into a vicious circle.

Under certain conditions a cooperative donor may consider to provide a guarantee fund with a financial institution in order to soften the capital constraint.

However, it is imperative that the provision of such a fund is seen as only *one* element of an adjustment plan and *that the elements of this plan which ought to precede the provision of capital are implemented prior to giving access to credit*. The operation of such a scheme has to be surrounded with stringent rules and be based on nothing but business considerations.

If considered, a guarantee fund should be established on a pilot basis and permitted to grow only if positive experiences suggest so.

3.9.5 Management and training

Closely connected with the transformation process above and also in several aspects duplicating it, is the support to be provided to the management function of the cooperatives.

Management is one of the crucial features, if not the feature, if a cooperative is to successfully transform itself into a competitive business organization in the short term perspective. And in order to underline its paramount importance, it has been given its own heading here.

In principle support under this heading can be divided into *management advice* and *training*. Advice can be provided in a number of ways, from management extension services for primary societies, as mentioned elsewhere in this report, to managerial counsel to intermediary and apex organizations on fulltime or consultancy basis. Whatever form this assistance will take, its guiding principle must be to increase the *entrepreneurial capabilities* of the cooperative managers and the boards.

Training cannot replace entrepreneurial talent, but it can enhance and fortify it where it exists. Many existing cooperative training programmes in Africa have not been designed with the entrepreneurial abilities required in an open market in mind, and they will consequently have to be redesigned or replaced.

Support from the European cooperatives would be highly relevant within these areas, and one of the first tasks for future development programmes would be to assist in the design and development of a training package for managers and committees at various levels, aiming at increasing their entrepreneurial abilities.

Also closely connected with the above type of support is assistance to develop and implement suitable management systems. The needs for this type of support will vary considerably; there are on one hand highly developed and capable cooperative organizations with well functioning systems in accounting, savings and credit, marketing etc, and on the other hand, small and weak primary societies with a faulty bookkeeping. The former may need assistance to computerize, while the latter will need a well functioning bookkeeping system. Regardless of the needs, the European cooperative organizations could make available their experience and expertise through development assistance programmes.

3.10 The role of ICA

We will in this section briefly delineate what we consider to be relevant in terms of type of support for the cooperatives in the situation they now are facing. It goes without saying that the type of support to be provided will depend on the local situation. However, in conformity with what we previously have argued about the possibilities to generalize about the present cooperative situation in Africa, we believe that, in a similar manner, it is possible to make some generalized observations about the type of assistance to be provided. Furthermore, it is again emphasized that any development programme must be result of the deliberations between two parties, in this case the African cooperative and the donor organization.

3.10.1 Purpose and Functions

In order to increase the volume of cooperative development to Africa, as well as to the rest of the Third World, the funding possibilities which rest with the international donors should be exploited. We believe that there are a number of donors and development banks which are providing support and granting loans for activities and schemes, in which there are cooperative interests, or where cooperative development knowledge and experience would be useful. There is a potential to be exploited, and we also believe that the *cooperative sector should make itself more visible within the international donor community.*

Since the CAAs are small and that their prime concern should be the government donors and the EU, it is believed that a consolidated approach of the cooperative forces would stand the best chances of accomplishing these tasks. It is therefore proposed that ICA assumes an enlarged and revised role as a cooperative donor organization.

The combined knowledge and experience of the ICA (with its regional offices) and its development partners, the European and American CAAs, is considerable and would attract the interests of several international donors. Not only are all kinds of cooperative *business* skills represented, but coupled with this is the experience of promoting *democracy* in the local context, of mobilizing and *organizing* people for a common purpose and the *participatory* approach in institution building.

There is also considerable experience of project identification, administration and implementation of development programmes. All this experience is not only of relevance in ordinary cooperative programmes, but would also be beneficial in many other types of development programmes, financed by such bodies as the World Bank, the Regional Development Banks, IFAD, EU, UNDP, etc.

By adopting a somewhat widened concept of what cooperatives and cooperative methods and solutions can entail in the Third World in the future, ICA would, as a donor organization, not have to confine its support to its established member cooperatives. We believe ICA should have a mandate which is broad enough to enable it to provide support also to the type of cooperatives which will be there tomorrow. We have for instance in a previous chapter underlined the importance of cooperative donors also being prepared to support the parallel and informal cooperative structures. This our recommendation is also valid for ICA.

Such a mandate should also allow ICA to administer and implement programmes, which require the knowledge and experience accounted for above, but which today might not be termed as 100 percent cooperative.

There are basically two ways for ICA to collaborate with the international donors when it comes to funding of development projects.

First, to prepare own project proposals in cooperation with the recipient organization and seek funding for these with the donor. This type of collaboration presents no problems as far as the identity of the programmes are concerned, since they are designed by ICA and its partners.

Second, ICA can respond on invitations for tenders on administration and implementation of projects, prepared and funded by an international donor. This type of projects require the somewhat broader mandate, but might be necessary if ICA shall be able to participate in the collaboration with the international donor community. They will most likely also be desirable from an economic point of view.

There are obviously approaches which combine these two basic methods, circumstances will determine the most suitable manner in which to act. To cooperate with the donors in this somewhat broader manner would also make it possible for ICA to influence the donor community towards a greater understanding of cooperatives and cooperative methods; the cooperatives would become more visible.

3.10.2 *Organization*

These new tasks will over time be self-financing and it is therefore proposed that they are separated from the ICA traditional main functions. A world wide cooperative development trust or foundation, in line with the idea presently being discussed within ICA, could well serve the purposes outlined above. The founders would be the ICA member organizations with financial contributions to a nucleus administration to get the organization off the ground. The ICA development partners will need to be adequately engaged so as to ensure the involvement of their knowledge and experience.

The competence required for this new role ranges a bit beyond the ordinary cooperative

knowledge; know-how about rural development, project design and preparation and familiarity with the functioning of the international donors are among the skills required. The ICA and its regional offices do have a nucleus of this, but it has to be complemented and enlarged.

3.11 The staff of cooperative donor agencies

We have already noted that a cooperative donor agency which intends to extend support to self-help groups outside formal cooperative structures often may have reasons to add members of staff with the specific experience of working with self-help groups.

Many cooperative donor agencies should review their staff situations as part of a strategy for cooperative development also for other reasons.

In many ways the proposed strategy for cooperative development implies a clear break with the past. Furthermore, it presupposes *major* changes and at times somewhat uncompromising attitudes. Lukewarm interest and commitment to change is not good enough. Cosmetic modifications are often not meaningful but give a false impression of "action". A slow pace of reform may not be much better than no reform at all. Emphasis is to be put on business efficiency rather than on cooperative principles and member training.

This re-orientation may not be all that easy for staff who has been actively involved in promoting "cooperative development" of the past for the following reasons.

It is hard to admit that something one has whole-heartedly supported and worked with was miss-conceived and contributed to the present sad state of affairs. In an understandable effort to somehow justify the past even very modest changes to the better may then be seen as major and promising improvements.

Part of the problem is also that an emotional commitment may have developed to the cooperative organizations, to the union or apex organization with which a member of staff has worked with. Also, loyalty, sympathy and friendship with individuals in these organizations makes it difficult to take a neutral and analytical stand. For the sake of friendship or collegial affiliation one will be more reluctant to draw detached conclusions, deliver critical messages and to cut ties. In other words, staff of cooperative donor agencies may also constitute a more or less serious obstacle to successful adjustment.

CHAPTER IV

MOBILIZATION OF RESOURCES FOR COOPERATIVE DEVELOPMENT AID

4.1 Introduction

For historical and commercial reasons it is natural that the African Cooperators in the first hand look to Europe for continued support in their development efforts. This poses a new and great challenge to the cooperative movements in Europe and ICA to take the lead in formulating and providing the development aid in the new era of cooperative development in Africa. This calls for visions and solidarity; a will to mobilize the resources required to finance the support; and knowledge about development in Third World countries in general and cooperative development in Africa in particular.

In more practical terms it will entail the following basic measures:

- Informing the European cooperative members and their organizations about the current cooperative situation in Africa; and mobilize personnel and financial resources from within the European cooperatives.
- Informing national and international donors about the situation cooperatives in Africa are facing today; and lobby for financial support for movement-to-movement development programmes, based on a new strategy for cooperative development and a revised donor strategy.

Providing development aid is nothing new for the cooperatives in Europe, there are already 15 Cooperative Aid Agencies (CAA) currently sponsoring development support to the Third World. What is new is the changing environment in Africa and the concomitant need for reform of the cooperatives in Africa. And this calls for additional resources, a new donor strategy and a certain measure of urgency.

4.2 Role of and sources of capital

Resources can be mobilized in several ways, and we can differentiate between internal and external mobilization. We define internal mobilization as that activity which takes place within the cooperative organizations, in this case within the African cooperative movements as well as within the European cooperatives through their donor organizations. External mobilization is the enlisting of resources outside the cooperatives; grants from donors, others than the cooperative ones, loans from banks, etc.

4.2.1 *Internal mobilization*

In previous chapters we have pointed out the lack of capital within the African cooperatives and stressed the importance of *local* resource mobilization, i.e. within the African cooperatives. This will not be further discussed in this chapter, however, considering its role in the totality, a few

words on its importance are warranted.

Of the various manners to increase the flow of resources, human as well as capital, the mobilization which takes place within the African cooperatives is by far the most important. No self-sustained and genuine growth can take place unless resources are mobilized from within. This is an aspect which the African cooperative leaders are well aware of, although there are great difficulties to achieve this, particularly under prevailing circumstances. It should be stressed that donor resources cannot *replace* the local mobilization.

Development programmes can however assist with techniques and methods to bring about local resource mobilization, where there is a preparedness and will to do so among the cooperative members in the South. Donor resources must be regarded as a supplement and of a temporary character. If not, there is, as we have emphasized before in this report, a risk for donor dependence.

The internal mobilization on the donor side expresses a will among, in this case the European cooperators to contribute resources for the betterment of the lives of cooperators on another continent; it is an act of solidarity. As a rule, this solidarity, expressed in financial contributions, is prerequisite for obtaining the external, additional funds from government donors and the European Union (EU).

The resources mobilized by the cooperators in Europe are consequently a must, and they constitute the core in the funding of most cooperative development programmes. Cooperative funds can in most cases be multiplied by a national or international donor, depending on the rules of the specific donor agency.

4.2.2 External mobilization

There are basically two different types of external resources supplied by national and international donors; a) those which require an internal cooperative contribution, as indicated above, and b) those which do not. The latter can be part of a larger programme (type rural development) initiated by the funding donor, and where a cooperative component needs a cooperative organization on the donor side (movement-to-movement support model). Or a cooperative donor may, together with the recipient cooperative, prepare and present a project proposal for 100 percent funding with the national or international donor.

We believe there are considerable external resources of both types available for cooperative development in Africa, and both will need to be fully explored, in order to make use of all funding possibilities.

We are therefore proposing a two pronged approach; the CAAs to concentrate on the government donors and the European Union (EU), and ICA to focus on the international donor community.

Since internal resources can only be mobilized by the European cooperatives and their aid agencies, funding from the government donors and the European Union can only be sought by the European Cooperative Aid Agencies (CAA). The first part of this chapter will therefore discuss these possibilities and also outline some guidelines for the mobilization of internal resources. In order to be as effective as possible in securing funds from the EU, it is also proposed that ICA

assumes the role of a facilitator in this work.

The second approach entails a considerably revised and extended role of ICA as a cooperative donor organization, which was presented in the chapter on Donor Strategy.

4.3 Mobilization of internal resources from the cooperatives in the North

4.3.1 The European cooperatives

In the European countries, being members of the European Union, there are approximately 100.000 cooperative organizations, representing a wide range of business interests. The majority of these cooperatives are to be found in the agriculture, food and fishing sectors, which, together with forestry, make up for some 43 percent of all cooperatives. Other important sectors are banking/credit, manufacturing and construction. The greatest number of members is however to be found within the banking and credit sector (some 29 million), followed by the wholesale and retail sectors (approximately 9 million).

In total, the cooperative movements within the EU organize some 54 million members, although it should be recognized that this figure represent a number of double memberships. If the three Nordic countries, presently outside the EU, decide to join the Union, these figures will increase.

Looking at these movements as the base for mobilization of resources for cooperative development aid and comparing it with the volumes of fund, required for this aid, they are, by any standard, very impressive. These figures are however misleading in the sense that, experience tells us that it is difficult to exploit this base, for a number of reasons we will return to. Furthermore, these impressive figures reveal nothing about the willingness to give and the solidarity with the Third World. But despite the difficulties, it is believed that the prospects for increasing present levels of funding for cooperative aid are there.

Since the cooperatives in Europe, from a fund raising point of view, do not constitute a homogenous group, conditions and circumstances differ between and within the countries, it would be futile to attempt to map out a common strategy for mobilization of aid resources. Some basic considerations will however be discussed as well as some practical guidelines for the mobilization work.

4.3.2 Some basic considerations

Constraints. There are inherent constraints as well as advantages in having a cooperative movement as the base for resource mobilization. The first of the constraints we would like to mention here is connected to the character of cooperative development assistance.

The institution building character of cooperative development programmes have in general a very low appeal as compared to other types of development programmes.

To mobilize resources for a programme for supporting the development of a cooperative audit unit for instance, is definitely much more difficult than to do the same for an emergence relief activity,

to take the other extreme. And there might be no choice for the cooperative donor, responsible for the fund raising, because supporting the audit unit may be the most appropriate thing to do at that particular time. And yet, the cooperative fund raiser has to compete for the attention of the benefactors with many other development NGOs with more appealing aid activities.

This is a factor which basically cannot be changed, the needs of the cooperative receiving the support must be the principal factor determining the character of the programme. The low appeal of the cooperative support for the Third World therefore puts extra demands on fund raising campaigns of the cooperatives, and we will later in this chapter discuss how the effects of this drawback can be reduced.

The second constraint is the low position cooperative organizations have in the so called hierarchy of loyalty (or solidarity). This hierarchy ranks organizations in the order individuals are prepared to contribute to a common good, charity, a particular cause or a project in the Third World. The church, of which the individual is a member, is at the top in the hierarchy of loyalty. Or, to put in other words, individuals belonging to a church are those who are prepared to contribute the most.

In the USA, some 47 percent of all voluntary contributions are made by religious organizations. In the second group in the hierarchy come fraternal and social groups and schools. In third place we find the social and health care agencies, helping disadvantaged people. The fourth group includes, among others, the Red Cross.

We have no access to ranking for the cooperatives, but we must admit that the sense of "belonging" or "ownership" is stronger in several of the above groups, than in cooperatives. And as indicated above, the appeal of cooperative institution building is less than health care and similar causes. We would as a consequence therefore place cooperatives rather low in this hierarchy of loyalty. We may also note that as cooperative organizations tend to become larger and larger, the sense ownership and belonging will grow fainter.

We are not aware of any studies which can corroborate the conclusions of the above paragraphs, but our experience of cooperative fund raising do confirm them. We think that the above constraints are the principal reasons for the sluggishness and the difficulties we often experience in cooperative resource mobilization, despite the many advantages the cooperative network offers. We will now take a look at the advantages.

Advantages. The advantages all stem from the simple fact that the cooperative organizations form a large network with access to many organizations and individuals. The mandate and the definition of the target groups are given, it is a matter of prioritizing and how to make use of the network. One of the foremost advantages is the great number of individuals, which have the cooperative membership in common. The cooperative organizations have a great number of entrances to the members, such as sales points of various kinds, shops, internal magazines and papers, etc. There are also the direct entrance in the form of regular mailing to the members.

The number of employees is also respectable and access to them, for the purpose of for instance pay roll deductions, is even easier.

There is also the elected leadership at all levels, which together with the appointed management,

form a cadre, from which the important leadership for resource mobilization campaigns can be recruited.

The democratic structure of cooperatives will also allow initiatives for solidarity with the cooperators in the Third World by any member. The cooperative organizations is also a suitable framework for the formation of campaign support groups. To have access to this network is the basic advantage of the CAAs as compared to many other NGOs. The question is how it is to be used in the most efficient manner for our purposes. We will revert to this when discussing the guidelines below.

Long term character. Cooperative development support is of a long term character, and there is consequently a need for a regular and continuous supply of contributions. Resource mobilization efforts will therefore have to be designed in such a manner that they can be sustained over a fairly long period of time.

It must also be recognized that resource mobilization cannot be undertaken unless the organization is prepared to make an investment in terms of manpower and capital. Costing can for good reasons not be indicated here, but efforts for resource mobilization, aiming at regular supply of aid funds, will require an investment proportionate to the funds required.

While cooperative organizations may put some of their resources at disposal of fund raising organization, it is not likely that they are prepared to incur direct expenses. Where prospects for fund raising are recognized, the best investment is probably to employ the services of a professional fund raiser-cum-publicity officer, on a full or part time basis.

Basic will. There must be a basic will and a commitment within the organizations to make a contribution to the development of cooperatives in Africa. Closely associated with this is the ideological conviction about the ability or superiority of the cooperative form to organize business, in the North as well as in the South. The stronger this conviction is, the greater is the willingness to make a contribution. The situation differs obviously between and within the European countries in this respect, but we are not convinced that this will exist to the desired extent today.

The basic reason is of course that many cooperatives in Europe find themselves in a harsh economic climate, many movements are restructuring so as to become more competitive and some are fighting for their survival. In such an environment it cannot be expected that solidarity with the Third World is at the top of the agenda. On the other hand, we know that during a period of growth and surplus, the willingness to mobilize resources is much more evident.

When considering the will to make a contribution, we need to distinguish between the cooperative organization and the members. Although the individual members find themselves in the same economic climate, it does not seem as if they are reacting in the same manner. While the management cannot be persuaded to allocate resources of the organization for development aid in times of scarcity, the willingness among the cooperative members could very well remain high. We have no empirical data to back up such a statement, but there are indications which clearly point in this direction. This will obviously affect the strategy of the mobilization effort.

Information activities and the fund raising efforts cannot be separated, they are both components

of the same package; resource mobilization. Without knowledge about the situation of the cooperative in Africa, no individual or organization will be prepared to contribute to development aid.

It is however also possible to look upon dissemination of information about the Third World, including the cooperatives as having its own intrinsic value, without using it as a prerequisite, or tool, for raising funds. This is obvious, but we have in this report not considered this as being the responsibility of the European cooperatives, this is a task of the government. In this report we therefore only regard information on Africa and its cooperatives as a vehicle for the fund raising effort and will therefore not distinguish between the two.

4.3.3 Practical guidelines

Based on practical experience of fund raising in general and within the cooperative sector, we are able to extract a number of guidelines for planning and execution of cooperative resource mobilization. We can start by defining the various target groups.

Target groups. As done above, we can identify two main target groups; the *cooperative organizations* and the individuals. The latter can be split up into two subgroups, the members and the employees. We will start by looking at the role of the organizations in the mobilization work.

Organizations. As indicated above, we are sceptical about the possibilities of raising funds from the organizations as such, at least to the extent that substantial development programmes can be financed. The organizations might however be convinced to provide a regular contribution, which can finance a nucleus administration for resource mobilization. *The most important role of the organizations is not that of a benefactor, acting out of solidarity, but that of a channel to the individuals.* Or, to put it differently, to put the network at the disposal of the mobilizing organization, normally the CAA, will be more important than the funds the organization itself will allocate for the development work in Africa. There is also a logic in this, the solidarity with the African cooperators must not be confined to the management or the board rooms. If cooperative development support in the South is to rest on the solidarity of the cooperative movements in Europe, *the members in the donor countries will have to be informed, mobilized and involved in this work.*

Substantial resources, or funds, can however be mobilized within the cooperative organizations if the activity *can be linked up with their commercial activities and thus serve their economic self-interests.* We may formulate this as follows: The activity must be of commercial interest to the cooperative organizations, engage the members and provide resources for the cooperative aid organization.

Products and services of an organization which are able to bear the contribution to cooperative aid as a cost, and still remain competitive, will have to be identified. These products or services should be frequent and inexpensive; for instance, the plastic bag, in which you bring home your groceries from the Swedish cooperative consumer shop, has for a great number of years constituted the most regular and reliable item from which an aid contribution has been made.

They must furthermore be attractive in the sense that producing and selling them, as well as buying them, are regarded as acts of solidarity. It increases the image of the organization, if it in

this manner can be identified with solidarity with the Third World. Considerable efforts and resources are required to identify and to launch such products, and this is where committed cooperative leaders are required, to take the lead and push such issues within the cooperative organizations.

Individuals. Mobilization of funds from the members and the employees has to be based on their solidarity and generosity. There are a great number of methods to approach and recruit individual benefactors, and the efforts and the costs involved vary greatly, depending on the method chosen. It would take us too long to list all the methods, which can be applied when approaching cooperative members and employees. But we need to mention the most important principle in this respect, namely "people give to people".

This principle indicates the most important way to solicit voluntarily contributions; prospective benefactors should be approached by another individual, preferably somebody known or a friend. Other methods such as personal mail, distribution of leaflets, advertisements, etc, give far less response. It would indeed be costly, in most cases too costly, to approach the cooperative members on an individual basis. But the method can be applied when approaching the employees of the cooperative organizations for fund raising purposes.

To apply this principle on the employees in the most efficient manner would entail recruitment and training of solicitors within the cooperative organizations. These solicitors would then be able to *inform* their working colleagues about the need for the cooperative development support, to *recruit* benefactors and to *report* regularly on the use of their contributions. A suitable way of collecting contributions are through pay-roll deductions, which if properly "maintained", will provide the fund raising organization with a very regular supply of funds. These solicitors will obviously also try to persuade the organization to match the contributions by the employees.

Identification. Given the inherent constraints, discussed above, it is extremely important to enable the benefactors to identify themselves with the project to be supported. The sense of identity is an accepted and well-tested principle in fund raising.

In order to provide for this important principle, the cooperative development project has to be of a *character*, with which the individual can identify himself/herself. A consumer cooperative member is more likely to support the development of consumer shops than a credit scheme for farmers, etc.

The sense of identity is further enhanced when the project is well *defined* and *small*. This is important in the sense that the contribution of the individual, or a group of individuals, should be relatively easy related to the total project cost. It is for instance difficult to mobilize a sense of identity with a cooperative sector programme, covering a whole country. Such a programme has to be split up into smaller, identifiable components.

Well defined and small projects, or project components, enable the fund raiser to be very specific when asking for a contribution. To request for contributions for cooperative development in general is not adequate in cooperative fund raising.

Of importance is also to be precise when soliciting for a contribution. It is difficult for the prospective benefactor to know how much is expected. He or she should be assisted by being

given a number of alternatives when it comes to the amount expected. These amounts should also be directly related to their contribution in the project supported.

In order to maintain a sense of identity and participation, it is extremely important that benefactors receive regular feedback. The feedback is simply reporting on progress and success of projects and activities supported. No invitations for continued or additional contributions should be forwarded without a report on progress of previous contributions.

The *message* to put across to individuals, as well as to organizations, about the need for cooperative development aid, *will have to be well articulated*. This message must give a clear and convincing answer to the question why cooperative members in Europe should support cooperators in Africa. The conviction of the fund raising organization will have to be transmitted to the individual, regardless of the media applied. The importance of this is obvious and cannot be over-emphasized.

4.4 External mobilization - the European Union

As previously defined, the external resources for development aid are those which are mobilized from governments and international donors. These donors are so different in so many aspects, that it is not possible, nor considered necessary, to make a presentation of them in this report.

Of interest to us however, is the fact that, within most of these donors organizations, there has been a growing awareness of the important role being played by the civic society in the Third World. Governments alone cannot be responsible for all development aspects in the society. This has led to an increased recognition of the importance of the NGOs in the South, and their need for support from their counterparts in the North. As a consequence, the NGOs have, in various manners, been allocated an increasing part of the official aid budgets.

Of greatest interest for the European cooperatives and their aid agencies are the government donors and the European Union, which have specific votes for co-financing the NGO development aid. The UN system, including the World Bank and the regional banks, not having this facility, will have to be approached in a different manner. And, according to our proposal, ICA should here assume a leading role. We can for obvious reasons leave the government donors aside, these are best known by the individual CAA, and here concentrate on the possibilities offered by the EU.

4.4.1 The European Union

The volume of development aid provided by the EU is by any standard large. In 1991 the total volume of EU aid amounted to USD 3,8 billion distributed among more than 100 countries. This aid represents approximately six percent of the total expenditures of the EU.

The main beneficiaries are the countries in sub-Saharan Africa, which in 1991 received 58 percent of the EU aid, followed by Southern Asia and Latin America, these two regions received about 10 percent each.

More than half of the aid (56 percent in 1991) is for long term development projects, primarily for the rural areas, while food aid amounted to some 21 percent during the same period. Other

large components are support through the NGOs, emergency relief and assistance to refugees and displaced persons.

4.4.2 The EU support to NGOs in 1993

The NGO sector is receiving an increasing part of the EU aid, in 1993 no less than ECU 702 million was distributed through the NGOs collaborating with the EU. This represents an increase of 46 percent of the NGO allocation two years earlier. These figures confirm the importance the EU is attaching to the work of NGOs.

Emergency relief and food aid are the two dominant types of aid provided by the NGOs with contributions from the EU. These two sectors accounted for almost 53 percent, or ECU 369 million, of the total NGO contributions by the EU in 1993. Of the total EU emergency relief aid in 1993, the NGOs distributed 44 percent. The EU considers the work of the NGO in this field to be of great value, and it is the intention to further stimulate and develop this collaboration. The votes of emergency relief and food aid do not require any financial contributions by the NGOs.

The third largest NGO allocation made by EU in 1993 was for small-scale development projects, amounting to ECU 121 million, or 17 percent of the total. This vote presupposes co-financing, since EU is prepared to cover only 50 percent of the project cost. It is also the most obvious vote for co-financing of cooperative development projects. We will therefore need to be observant on the fact that total applications from NGOs for funding from this vote amounted to ECU 215 million last year. This means that the EU was able to approve only 56 percent of the NGOs requirements on this particular vote.

Other important NGO votes provided funding for victims of apartheid (ECU 90 million), refugees and displaced persons (ECU 40 million) and the NGO assistance to the West Bank and Gaza strip (ECU 35 million). The balance in 1993 was made up of support to public information campaigns in Europe, combatting drugs and assistance earmarked for certain countries; Vietnam, Cambodia and the frontline states in Africa. The firm impression of the NGO development work supported by EU in 1993 is that efforts and activities aiming at long term development and growth are in a clear minority, possibly as low as a quarter of the total.

4.4.3 Funding opportunities for NGOs within the EU

The brief account above of the EU support to the NGOs in 1993 clearly indicate that, not only are substantial funds available to NGOs within the EU system, but there is also a very wide range of activities which are supported. This is confirmed by the great number of votes (budget lines in the EU language) to which NGOs have access.

According to the EU aid budget for 1994, NGOs may have access to no less than approximately 50 different votes. These votes are, with a few exceptions, earmarked for very specific purposes or regions/countries and seem to cover all types of needs for development aid.

The votes are too numerous to list here, but they can be arranged under the following main headings; Economic and Social Rehabilitation; Food Aid; Refugees and Emergency Humanitarian Aid; Democracy and Human Rights; Migrants and Racism; Environment; Health; Women; Drugs; and 13 Specific Countries\Regions.

To this should be added the two votes for unspecified purpose: 1) NGO Development Projects, combined with Information Campaigns in Europe, and 2) Decentralized Cooperation. The former of these two is the "ordinary" NGO vote requiring co-financing by the NGO, mentioned above, and has an allocation of ECU 145, million in 1994. The latter is a new facility under the Lom' convention and other cooperation agreements with non-Lom countries, and is financed out of the official EU aid budget at the disposal of each individual country, and there are no absolute requirements on NGO contributions to the project costs.

Adding together the 1994 allocations of the above votes, we reach the impressive amount of more than ECU 1, 1 billion. It should however be underlined that this would be the total amount NGO *may have access to*, which does not necessarily mean that NGO projects will qualify for the full amount.

We shall conclude this section by making a few observations. As can be seen above, most of the funds available for NGOs are designated for particular purposes and countries\regions. In 1993 less than 20 percent of funds allocated were for unspecified activities. Ostensibly the EU is very much determining which development needs to address in the Third World, giving the NGOs limited leeway in this respect.

Going through the purposes and the activities the votes for 1994 are to support, it seems as if the funding options of relevance to ordinary cooperative institution building programmes are limited. The above mentioned impression of long term human and institutional development support being very much in minority is confirmed by the budget for 1994. Agriculture, being the backbone in many economies and particularly in Africa, is for instance not even mentioned.

It is on the other hand conceivable that a number of cooperative development programme would qualify for support under a number of votes e.g. the vote for social and economic rehabilitation, women, training and the country specify appropriations. The above mentioned budget line of decentralized cooperation would also seem as a good possibility for supporting cooperative programmes. This is however very difficult to ascertain without closer contact and dialogue with the EU. We will return to this in the following section.

4.5 The European Union and the cooperatives

4.5.1 Prerequisites for funding

Of the 15 Cooperative Aid Agencies in Europe 12 are within the EU. These organizations have different origins and their work programmes vary considerably, some of them put emphasis on resource mobilization for own development programmes, while others function more as development consultancy firms. Their development work in Africa is not comprehensive and there is a limited amount of exchange of experience between them. Some of them have a very limited contact with ICA. They also vary considerably in size and resources. Few of them have established contacts with the EU and the NGO networks lobbying with the Commission.

What is here proposed are certain coordination efforts though ICA, which are intended to put cooperatives on the map of EU, increase the prospects of the CAAs to obtain funding from EU and thus enable them to provide additional cooperative development aid to Africa. More concerted

efforts of these organizations should also enrich the collective efforts through the diversity and the variety of knowledge and experience the organizations are able to bring into the joint work.

As we have shown in the first chapters of this report, the cooperative scenario of today is very much different from the one of yesterday. Previous development policies and methods are not relevant today. Cooperative donors will have to adjust their strategies and modes of support. *We believe that national and international donors will increasingly require cooperative development policies and donor strategies, which take the new situation into account, as prerequisites for funding of cooperative support programmes.* We believe it is of greatest importance to recognize this. The fact that one of the most obvious EU votes for cooperative programmes was heavily oversubscribed in 1993, makes this point even more obvious.

It is therefore essential that the African and European cooperators, the latter represented by the CAAs, have a common perception of the:

- a) situation the African cooperatives are facing today,
- b) basic strategies to be pursued by the African cooperators and the revised role of cooperative development assistance.

We are not talking about an absolute streamlining, there are local and regional variations and some donors may look upon their role different from what we have proposed in this report. But, as we have tried to show, there are a sufficient number of common denominators in many African countries justifying a common description of the situation in general and a common perception of the remedies to apply. And, again, this will prove to be the most convincing arguments for mobilizing external resources.

The first step is now to shift the debate on these issues to Africa so as to obtain the inputs of the African cooperators on these issues. We have in this report endeavoured to secure the opinions and perceptions of the African cooperators. But there are still considerable limitations in this respect.

It is therefore recommended, that ICA, as a first measure, consults the African cooperators, particularly with regard to our description and analysis of the current situation and the strategy on cooperative development in the near future, with a view to ensuring that their views are fully reflected in future documents before EU and other donors are approached.

Similarly, it is recommended that ICA consults the CAAs on these questions, particularly with regard to our proposed cooperative donor strategy, so as to have this discussed, amended and agreed upon.

With these two exercises completed, it would be possible to approach the EU and claim, with full justification, that the African and European cooperators have a common understanding of the current situation and that they in principle agree on the measures to be taken.

It goes without saying that the development perspective and the donor strategy will be adjusted to each specific situation, when applying for funding for a specific project. But the basics will remain the same.

4.5.2 Contacts with EU

Cooperatives do not have well established links with the EU and do not participate in the approximately 30 Development NGO networks, which are lobbying on a wide range of interests with the organization. EU present funding of cooperative development aid is very limited, and there are, as far as can be ascertained, only two cooperative NGOs which make use of the EU funding possibilities.

Considering the magnitude of the cooperatives in the Third World and their importance, it is no exaggeration to state that the interests of the cooperators in Africa and elsewhere in the Third World are *grossly under-represented* in the EU and the NGO networks.

The European CAAs are not large organizations, compared to many other development NGOs, they are in fact rather small. If we on the other hand look upon them as representing the interests of the cooperatives of the Third World, which need development assistance, the picture is different. But despite this, it might be difficult to influence the EU and the networks when your own organization is small, and particularly if you are rather new in the game.

We should also be aware of the fact that there are more than 1.000 NGOs listed as having contacts with the EU, of which about 670 receive support. There is consequently a great number of interests represented by the NGOs, competing for the EU resources. We would like to draw the following conclusions from these observations.

ICA, being the global cooperative organization, will have to take a lead and play a very active role in the contacts with the EU. In order to pave the way for the cooperatives into EU, it is therefore recommended that ICA opens up a high level dialogue with the EU.

This would aim at creating a better general understanding of the cooperatives in the Third World, their role in the national economy and the democratization process, the present position of the cooperatives in Africa as well as their needs for development assistance.

If our impression that funding of programmes for long term and sustained development efforts is at a disadvantage, as compared to emergency aid and similar types of assistance, ICA has a very important lobbying role to play.

There are approximately 30 NGO networks, affiliated to the "Liaison Committee of Development NGOs to the European Communities" (LC). They represent a wide range of interests; trade, food aid, children, religious, environment, women, medical, youth etc.

Although the cooperatives in the Third World and development assistance to them is of such importance that one might argue that it is justified to establish a network on their own, the first logical step would be to join one of the existing NGO networks.

ICA is in the best position to do the preparatory work, and it is therefore recommended that ICA investigates the NGO network system and their lobbying priorities, so as to be able to establish which networks are suitable for ICA and interested CAAs to join.

As has been indicated previously, the number of funding options within EU for NGOs is great.

Some of them will obviously be of relevance to the CAAs, but this is difficult to establish by only reading the various presentations of these options, since practice and routine may differ. The rules for NGO participation also differ between the different budget lines.

In order to assist the CAAs on this issue, it is recommended that ICA compiles a small guide on the various votes of relevance for cooperative development aid, rules and regulations governing the various funding options as well as application procedures and practices, etc.

Appendix 1

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