

**THE FIRST AFRICAN MINISTERIAL  
CO-OPERATIVE CONFERENCE**  
Gaborone, Botswana, 11 - 12 May, 1984

**The Role of Co-operatives in Economic  
and Social Development in  
East, Central and Southern Africa**

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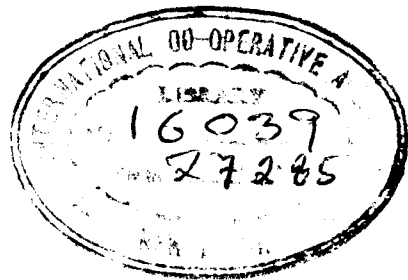
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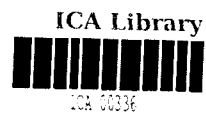
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**The Role of Co-operatives in Economic  
and Social Development in  
East, Central and Southern Africa**



**APRIL 1984**



**COUNTRIES SERVED BY THE ICA REGIONAL OFFICE, MOSHI**



**KEY:**

- Co-operative Movements are members of ICA
- Non-members but served by ICA Regional Office on Complementary basis.

## **C O N T E N T S**

1. Introduction .....	4
2. A Survey of the Impact of Co-operatives at a Regional Perspective .....	7
3. The Co-operative Principles and their Applicability to African Conditions .....	9
4. Constraints and Problems faced by the Co-operative Movements in the Region .....	14
5. The Role of ICA and other Multilateral Agencies in Promotion of Co-operative Development in the Region .....	20
6. Future Prospects and Strategies for Co-operative Development in the Region .....	27
7. Conclusion .....	32

## 1. INTRODUCTION

Co-operation in Africa has always existed. Within the family unit, within the clan, within the tribe, work of various natures were carried out on a communal basis from time immemorial. Tasks such as hunting, fishing and building, just to mention a few, were traditionally organised co-operatively. The economy by then, however, was predominantly subsistence in nature and there was, therefore, little marketing of crop produce except through barter system on individual basis. There was limited trade in such items as salt, iron, backcloth and later expanded to items such as ivory, hides and skins. It was not until the turn of this century, with the introduction of cash crops such as cotton, coffee and tea, that it became necessary to form marketing associations which were the fore-runners of the present co-operatives.

During the colonial period, co-operatives were encouraged and promoted but they were tailor-made mainly to suit the interests of the minority settler groups who did most of the cash-crop production and who had more access to the most fertile and suitable agricultural land than the indigenous people. The Colonial Government, therefore, recognised the potential of co-operative farmer associations as tools for accelerating agricultural development in order to export raw materials for home industries. During the inter-war period, the demand for exports of agricultural cash-crops increased and a need was felt to encourage the local people to grow the same and they were consequently included into the co-operative marketing set-up.

After independence, the new political leadership encouraged the development of co-operatives with much vigour and speed because they regarded co-operatives as a major and important tool for economic and social development.

The deliberate government policies to encourage the formation of co-operatives resulted into a mushroom of societies with a corresponding increase in membership. The situation can be demonstrated by the statistics of societies and membership for 1968 and 1982 from some African countries.

### Growth of Co-operatives in various countries of East, Central and Southern Africa

Country	No. of Societies		No. of Members	
	1968	1982	1968	1982
Tanzania	1,648	9,500	400,000	900,000
Kenya	1,880	2,485	400,000	850,000
Zambia	1,070	812	53,000	120,000
Uganda	2,033	2,842	350,000	976,000
Botswana	26	122	2,000	16,000
Mauritius	167	327	35,000	50,000
<b>Totals</b>	<b>6,824</b>	<b>16,088</b>	<b>1,240,000</b>	<b>2,912,000</b>

Source: *International Co-operative Alliance, Regional Office for East, Central and Southern Africa, Reports & Surveys.*

The vital and unique role that the co-operative movement can play in the arena of social and economic development of a country has not only been recognised in Africa, but the world over. In the industrial countries, co-operatives have grown and matured to a level where they form part of the national socio-economic structure and strategy. In developing countries, although the movement is faced with some problems and constraints, it is in such economically weak countries of the Third World, more than elsewhere, that a viable co-operative movement is needed to supplement government efforts in mobilisation of the masses for the struggle against poverty.

It was on realisation of the great potential of co-operatives that the governments in the Region<sup>1</sup> attached paramount importance to the development of co-operatives. At one point or another, governments have had to intervene so as to protect co-operatives from collapse and in some cases restructured them so as to increase their operational efficiency and viability. In order to facilitate this stated goal, governments went further and injected substantial amounts of financial and manpower resources in co-operatives. Up to this moment, co-operatives have continued to capture the interest of governments and the latter's input continues to be of conspicuous magnitude, and generally, the role of governments in fostering co-operative development continues to be significant as most co-operative movements have not yet attained self-reliance.

The purpose of this paper is to provide background information for the First African Ministerial Co-operative Conference and also to stimulate discussions on

<sup>1</sup>  
The word Region is used in this paper to mean the East, Central and Southern African Region served by the International Co-operative Alliance.

matters and issues crucial to successful co-operative development in the Region. In this connection, the paper will address itself to the following aspects:

- Highlight the impact and successes co-operatives have scored in the East, Central and Southern African Region specifically, also indicating the role of governments in fostering co-operative development.
- Re-visit the Co-operative Principles in context of African conditions and review how best they can be implemented in order to boost democratic participation in and promotion of co-operatives in the Region.
- Identify problems and constraints that hinder co-operative development and suggest solutions and remedial measures to alleviate these problems and constraints.
- Reflect on some of the future strategies that can bring about accelerated co-operative development in the Region.



## 2. A SURVEY OF THE IMPACT OF CO-OPERATIVES AT A REGIONAL PERSPECTIVE

Although, as already indicated, most governments in the Region put considerable amounts of financial and manpower resources at the disposal of co-operatives, the governments had also very high expectations in terms of their positive impact and general contribution to the overall economic and social development of their respective countries. These high expectations from co-operatives can be demonstrated by the following excerpts from authoritative government policy documents and speeches from a randomly-selected number of countries in the Region:

- Zambia: "Rural Development is a top priority in our future development projects. Co-operatives will play a key role in this exercise. A co-operative approach is most suited to rural development, both as a way of life and also as an instrument for accelerated development"<sup>1</sup>
- Tanzania: "... Government has all along been guided by the need to safeguard the interests of the peasants and the farmers, on whose shoulders lie the greater share of the task of economic and social development in the country. It is the view of the Government of Tanzania that political independence is meaningless without the people having control of their economy... the Co-operative Movement is one of the economic instruments which will enable the people of Tanzania to have direct control over their economy"<sup>2</sup>
- "... there is no other type of organisation (other than co-operatives) which is suited to problems and concept of rural development... It would be impossible for the Government Administration machinery to deal with numerous individuals requiring government assistance and services."<sup>3</sup>
- Kenya: "Co-operatives will increasingly continue to be powerful tools in mobilising the natural, human and financial resources for national development."<sup>4</sup>

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<sup>1</sup> President K. Kaunda in his address to the National Council of the ruling UNIP at Matero Hall, Zambia, 11th August 1969.

<sup>2</sup> Government Paper No. 3, Dar es Salaam, 1966.

<sup>3</sup> Government Paper No. 4, Dar es Salaam, 1967.

<sup>4</sup> Government Sessional Paper No. 14, Nairobi, 1975.

The expectations of the governments did not wholly come true but through co-operatives a number of significant successes were scored on political, social and economic frontlines, though degrees varied from country to country.

On the socio-economic front, co-operatives were successfully used to mobilise masses. Just before independence, the mobilisation drive targeted at co-operatives to act as power blocks and pressure groups in the fight for independence. In Tanzania, for example, during the struggle for political independence, the co-operatives were an important and vital ally to the political party. The same applied to other countries though degrees varied. After independence, in some countries, co-operatives were again used for mobilisation of the masses so as to consolidate the newly-won independence. Thus it is not surprising to note that in East Africa, the number of co-operatives increased by about 135% between 1968 and 1982.

As already indicated in the above quotations, the governments were more emphatic and anxious with the contributions of co-operatives to economic development. The policy goodwill and impetus the governments extended to co-operatives was taken advantage of, particularly in the agricultural sector and later spread to other sectors. In Uganda, for example, the co-operatives were given monopoly in processing and internal marketing of coffee. In addition, they controlled more than 50% of cotton handling and ginning. In Tanzania, 90% of the cash-crops produced were marketed by co-operatives while in Kenya, the figure stood at 45% as at 1964.

Going further south in the Region, in 1981, very important measures were taken in Zambia whereby the bulk of agricultural marketing was transferred from a government-sponsored parastatal organization to co-operatives. At the moment, therefore, more than 60% of the maize produce in Zambia is handled by marketing co-operatives.

In Botswana the situation can be summarised as follows:

The co-operative movement is one of the largest business concerns in the country, entirely owned and managed by Batswana and with annual turn-over, at present, of some 20 million Pula, providing jobs for some 800 people and, in itself being an excellent example of practical self-reliance. The 36,000 households affiliated constitute 30 per cent of the total number of households. <sup>1</sup>

On basis of the examples from the Region, it would be asserted that co-operatives made major breakthroughs in what was expected of them to deliver. Co-operatives have continued to play an increasing and crucial role in many of the African econ-

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<sup>1</sup> Preamble to the Co-operative Development Plan for Botswana (1982-1987)

omies especially in the field of crop production and marketing and other economic areas. Even at this historic juncture, when many African economies are experiencing hardships, instability and recession, the co-operative movement continues to display inspiration and provide a source of hope, for example, through the increasing volumes of business they are handling and also the various and diversified economic activities they are continually embarking upon.

Despite the acclaimed performance of co-operatives and their hitherto contribution to social and economic development, there still exists plenty of room for better performance through improved efficiency. The shortfall in performance has been due to a number of problems and constraints which partly are a result of poor interpretation of, and failure to adhere to the Principles of Co-operation. Problems and constraints are also due to movement membership which is largely unknowledgeable about their rights, duties and responsibilities, lack of adequate infrastructure, lack of adequate business management personnel and skills, undercapitalisation and many others, some of which are highlighted below in this paper

### **3. THE CO-OPERATIVE PRINCIPLES AND THEIR APPLICABILITY TO AFRICAN CONDITIONS**

Co-operative Principles constitute co-operative philosophy framework for guiding and regulating co-operative performance. They were initially formulated by the Rochdale Pioneers in 1844. At the International Co-operative Alliance Congress, in 1963, it was requested that a commission be set up to review and reformulate the Principles in view of the present and prevailing social, economic and political milieu which contrast with the situation obtaining during the Rochdale Pioneers time. The Commission was also charged with the responsibility of standardising the interpretation of the Principles but bearing in mind what was essential for all co-operatives and leaving room for flexibility according to local and unique circumstances. The Commission was set up in 1964 and its report was submitted to ICA Congress in Vienna, in 1966.

This room for flexibility, therefore, gives co-operatives in Africa the convenience of making some additions or amplifications so as to take care of local and peculiar cases. In the case of Zimbabwe, for example, it has been necessary to highlight Non-Racialism among the Principles of Co-operation. Failure to interpret the Co-operative Principles and the inability to adapt their applicability to a local situation can cause some operational problems and discontent among members. Let us briefly examine the Co-operative Principles:

#### **3.1. Open Membership**

**This principle entails that a co-operative society should be open and voluntary to everybody who is eligible and whom it can serve and**

who really needs its services without artificial restrictions and discrimination. A member should also be free to withdraw from the society so long as he no longer needs the services of the society or when the society can no longer serve his needs.

In practice, however, the freedom for all to join a co-operative society becomes impossible to implement in some types of co-operatives. In a housing co-operative society, for example, membership has to be restricted to about the number of plots the society has acquired or else over-enrollment can cause frustration among the members who do not get plots.

The Commission, therefore, observed that open membership may not always be automatic. For example, persons of proven bad conduct and irresponsibility may be barred from entry into a society until such a time that the society is convinced that they have reformed and have interest in the welfare of the society. Also, a member who becomes irresponsible and whose actions may jeopardise the activities and harmony of the society may be suspended until such time that the society feels he should resume membership.

### **3.2. Democratic Control**

A co-operative organisation can retain its true co-operative character only if it is owned and controlled by its members in a truly democratic manner, and indeed it is a defining principle of co-operation. The principle of democratic control hinges on an enlightened and well-informed membership in order to exercise their right as the custodians of supreme authority of the co-operative society. It is, therefore, a vital necessity that members are made aware of their rights, duties, responsibilities and privileges. An enlightened membership would also minimise the number of cases whereby a few powerful members dominate the affairs of the society.

If the members have to exercise their democratic right they should be properly informed of what is going on in their society all the time. Loss of member control leads to loss of interest in and loyalty to the society and to misunderstandings. In some cases, however, the society management and boards do not give comprehensive information to members and financial reports (e.g. balance sheets and audited accounts) are not given to them in good time prior to the annual general meetings to enable them to study and scrutinise them so that they are ready to contribute to the debates at the meetings.

The Committee Members' decisions are usually not sufficiently publicised to the members. The absence of proper facts and information makes members fall victims to unscrupulous self-seeking rumour-mongers and this greatly undermines society stability. The situation is further aggravated when general meetings are not held regularly and in some cases after a number of years.

The practice of democratic control should be critically reviewed to leave no room for divisive loopholes, taking into consideration that democratic control is the cornerstone of successful co-operatives.

### **3.3. Limited Interest on Share Capital**

This principle stipulates that if interest has to be paid on share capital at all, the rate should be limited and fixed. The principle, therefore, does not insist that interest should be paid on share capital.

The three major sources of capital for co-operatives are members' share capital, capital owned by the society in form of a reserve fund to which individual members have no direct claim, and bank loans. The first category, to which the principle applies, is the most important and most reliable because it constitutes self-financing through member savings. The savings which members pass to the society in form of share capital is a pledge and an indication of their willingness to support their society so that the society can in turn be able to bring the basic necessities of life within their easy reach.

The idea of limited interest on share capital implies that the members are sacrificing present income so as to build up the society reserve fund to make available, funds for re-investment, while their society borrows less from banks, in the hope that they will accumulate benefits in form of dividends or any other patronage funds or services as the society may deem necessary. The fact that members have sacrificed their present consumption for the future and growth of their society should give them incentive to participate effectively in the general meetings and other forums of their co-operative society.

In co-operatives, however, the relationship between surplus and shares is not like in companies where more profits mean more shares to the shareholder. In the former, the maximum number of shares per member are limited. Therefore, whereas the interest rate should be low, it should not be too low compared with bank rates as this might discourage members from increasing their shares to the allowed maximum.

### **3.4. Disposal of Surplus**

The surplus or savings, which arise out of the operations of a co-operative society, should, according to this principle, belong to all members and be distributed in such a manner that no member gains at the expense of others.

The distribution and allocation of surplus can be in any of the following forms:

- Provision for the development of the business of the co-operative society.
- Distribution of cash among the members according to patronage.
- Provision for making available joint services to members.

There are, however, two aspects which must be adhered to while implementing this principle in order to maintain member morale and loyalty to their society. First, a proper and fair balance must be struck between member interests and society interests. Secondly, there must be justice between one member and another and this may influence the choice of forms of distribution of the surplus.

In developing countries, surplus generation in co-operatives is very important for boosting individual member incomes and also for expanding their business and service activities so that they contribute to national capital formation.

In this connection, however, it is important to reflect on government taxation on co-operatives and, consequently, on the members. Taxation on co-operatives varies from country to country, but generally it is very high. Let us take an example of savings and credit co-operative societies: A member is taxed at source; When he borrows from his society he pays interest, in some cases of about 12%. The society accumulation of interest earned from member borrowings and which should be distributed to members is taxed as society surplus. The remainder of the surplus, which goes to individual members as dividends is also taxed so long as a member receives in excess of a stipulated amount. It is suggested that where such taxation systems exist, they be reviewed so as to lessen the burden of taxation on the members so that they can realise more income from society surplus.

### **3.5. Co-operative Education**

Co-operative education is not only one of the basic principles of co-operation but it is also a basic pre-requisite for healthy co-opera-

tive development. All co-operative societies, therefore, should make provisions for the education of their members, management committee, employees and the general public, in the principles and techniques of co-operation, both economic and democratic.

For co-operative education and training programmes to be effective, they should be addressed at three levels:

— *Pre-members and members*: There is a dire need to inform and publicise to pre-members, the advantages of co-operation and the benefits they stand to gain by becoming members. Member education will make members be aware of their duties, rights, responsibilities and obligations to their society, thereby preparing them for democratic management of their society. The grassroot approach is even more fundamental in Africa, and other developing countries, where the illiteracy rate is relatively high and yet these are the people who are invested with the supreme authority of control and management of the society affairs.

— *The Management Committee*: The committee members are not usually professionals in business management. Rather, they are mostly laymen who need to be exposed to fundamentals of business management and how to effectively contribute to the success of their co-operative society as representatives of the general membership.

it is very important for elected committee members to stay in office long enough for the education, training and experience they have acquired to enable them to have impact on the performance of the society, except when the members strongly feel that some have to be dropped.

— *Employed Staff*: The efficiency of co-operative societies to a very large extent depends upon the efficiency of the staff who are responsible for the day-to-day management of the society affairs. It is, therefore, important that the right people are recruited and also continually exposed to training so as to keep abreast of the expanding managerial intricacies as the society grows and expands.

Education and training has to be intensified and taken more seriously at the three levels, especially at the grassroot level, because it is the pillar of efficient and democratic co-operation.

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### **3.6. Co-operation among Co-operatives**

The International Co-operative Alliance Commission added this principle to the above so as to highlight the importance for all co-operative organisations to collaborate with each other at local, national and international levels, in order to best serve the interests of their members and their communities. This collaboration could be extended into vital areas such as inter-co-operative trade, education and technical co-operation.

## **4. CONSTRAINTS AND PROBLEMS FACED BY THE CO-OPERATIVE MOVEMENTS IN THE REGION**

Although instances have been quoted above, of solid achievements and examples of impact and success stories co-operatives have scored, they have also experienced a number of problems and constraints. The co-operatives, even in pre-independence days, were faced with serious problems and in order to alleviate them, governments set up Commissions of Inquiry. These Commissions became even more widespread after independence since the sudden increase in numbers of co-operatives sprang up with numerous problems. Some of the reports of these government-appointed Commissions of Inquiry can be cited:

- Commission of Inquiry into the Cotton Ginning Industry in Uganda, April 1962.
- Report of the Presidential Special Committee of Inquiry into the Co-operative Movement and Marketing Boards, Dar es Salaam, 1966.
- The Report of the Committee of Inquiry into the Affairs of All Co-operative Unions in Uganda — July 1967.

These Commissions of Inquiry were given specific, searching and exhaustive terms of reference and their reports were comprehensive, analytical and gave well-deserved possible solutions to the problems that pertained in the field by then. Despite these genuine efforts, problems and constraints still persist in the co-operative movements. Some of these problems need to be highlighted for re-examination so that more effective remedies and solutions are sought.

### **4.1. Lack of Adequate Infrastructure**

The rapid expansion of co-operatives after independence did not correspond to the available infrastructure such as: financial institutions, storage facilities, transport and distribution network and training institutions. This resulted into over-stretching of government extension services and as a result they were only thinly and inadequately distributed.



This problem should be re-examined, so that the existing infrastructure can be optimally utilised while efforts are made to provide more in view of available resources.

#### **4.2. Lack of Adequate Business Management**

Cases of mismanagement of member funds have continued to occur in scattered instances. Although the press has been accused of blowing these scattered cases out of proportion as compared, say, to performance of parastatal organisations, these cases need to be drastically reduced. This problem was observed and articulated by the Kenyan authorities as follows:

In spite of this rapid increase, the performance of the co-operative movement as a whole has not been an unqualified success. It has been faced with a variety of setbacks including lack of integrity on the part of some union and society committee members and employees<sup>1</sup>

Although co-operatives are commanding increasing volumes of business, many of them still employ non-competent personnel, whose skills are below the required standards. As these co-operative societies become bigger, this low-level managerial staff becomes even much more incapable of running the enlarged societies and as a result, performance gets critically retarded. In some cases, the highly skilled personnel, who would manage the affairs of the societies, move out to other institutions with better terms of employment. This factor has, to some considerable degree, been responsible for the rather high rate of brain-drain and turnover of skilled personnel from co-operatives. In order for co-operatives to attract and retain skilled staff, they should establish comprehensive personnel policies including systematic recruitment and adequate training, competitive scales, job security and prospects for career development.

In situations where high-level managerial personnel is not readily available, it is worthwhile considering the views of one school of thought, which in such a case argues for splitting large unions into smaller ones, so long as they are economically viable units because in such a case no high-level managerial staff would be required, while training and replacement would be made simpler. This move would also make accounting and control procedures, as well as

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<sup>1</sup> *Government Sessional Paper No. 14, Nairobi, 1975.*

audit work, more simplified, ease supervision and control, increase efficiency and profitability. In defence of the above argument, the Committee of Inquiry into the affairs of all Co-operative Unions in Uganda had this to say:

We have given this suggestion very serious consideration as normally there are economies of scale gained from large business enterprises. The bitter truth, however, is that large unions, due to managerial failures, have not made that grade, and three of these giants, namely: Busoga, Bugisu and Uganda Growers, have had to eat the humble pie and succumb to the imposition of supervising managers, which is regarded as very drastic and final measure, second only to compulsory liquidation. In contrast, smaller unions such as Masaaba and Buruli, have comparatively been profitably managed.<sup>1</sup>

**4.3. Lack of Equity Capital**

Many co-operative societies have been confronted with the problem of insufficient equity capital and they have had to resort to expensive commercial loans or government grants. Co-operatives should be encouraged to build up their own financial base, and they have ability and resources to do so as long as there is a systematic and efficient way of mobilisation of savings, which would be optimally invested thereby generating funds for re-investment. This would increase the viability of co-operatives and consequently their ability to address themselves to member needs.

**4.4. Committee-Staff Relations**

In a number of cases, there have been misunderstandings between committee members and paid officials, especially top management and this has considerably disrupted the orderly planning and smooth running of societies. The causes of these misunderstandings range from trivial personal differences, selfishness and perpetration of personal vested interests to major policy disagreements.

In this connection, the Report of the Presidential Special Commit-

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<sup>1</sup> *The Report of the Committee of Inquiry into the Affairs of all Co-operative Unions in Uganda, Kampala, 1967.*

tee of Inquiry into Co-operative Movement and Marketing Boards observed that:

It is possible to paint idyllic pictures of the relationship (between the committee of management and the staff of co-operative societies) : with an informed and self-sacrificing committee, giving assistance and policy guidance to the staff but not interfering in day-to-day operations and a well-trained staff identifying policy choices for the committee and skillfully executing its decisions with a single-minded devotion to duty. But we have encountered that romantic view, mostly among those who have no first-hand experience with the facts.<sup>1</sup>

The committee members represent the co-operative society as, inter alia, employers of salaried staff. They employ, determine the conditions of service, salaries, promotions, and dismissal of the staff. In course of dealing with each other, the two camps develop friction. In some cases, therefore, such frictions have led to the loss of capable high-level management, thereby depleting the movement of already scarce resources.

In order to alleviate such problems, there have been suggestions and recommendations<sup>2</sup> for creation of a central co-operative commission, at national level, on the lines of civil service commissions. Such a Commission would take over the powers of the co-operative societies with regard to recruitment, determination of working conditions, dismissal and transfer of employed staff to any other society as deemed necessary by the Commission. The suggestion has had lukewarm reception from a cross-section of co-operators on fears that this would curtail the supreme authority of members and their elected committee members and yet this being one of the basic principles of co-operation.

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<sup>1</sup> *Report of the Presidential Special Committee of Inquiry into Co-operative Movement and Marketing Boards, Dar es Salaam, 1965, para. 59.*

<sup>2</sup> *The Presidential Special Committee of Inquiry into Co-operative Movement and Marketing Boards (Tanzania) recommended the creation of such a central co-operative commission. As a result, the Unified Co-operative Service Commission was enacted through an Act of Parliament, in 1968.*

Needless to say, in such a case, training of committee members in their duties and responsibilities to the society is essential. Employed staff should also exhibit discipline and integrity to the required standards. But it is important to work out a comprehensive system so that while the supreme authority rests with members directly and policy guidelines have to be given by their elected committee members, there should be sufficient measures and channels to safeguard against unfair and arbitrary dismissal of employed staff.

In some countries, in order to ease such problems, co-operatives have formed what is usually called a "Watchdog Committee". The committee is elected by members and is empowered to probe and check every aspect of the society so as to ensure its smooth running. The creation of such committees needs to be considered where the situation warrants.

#### **4.5. Government-Movement Relationships**

In the countries of the Region, co-operative development received official and formal recognition through enactment of Co-operative Societies Ordinances and through promulgation of Co-operative Acts. The co-operative movements are sponsored by governments, either under a fully-fledged Ministry of Co-operative Development, or jointly together with another sub-Ministry. In both cases, however, the Commissioner for Co-operative Development, who is also the Registrar for Co-operative Societies, is vested with several powers. He is charged with the promotion, registration, supervision, inspection, audit, education and training and liquidation of co-operative societies.

Again in the countries of the Region, the Co-operative Movements were introduced by the governments, which not only provided them with legal protection but also undertook to ensure that they were efficiently and profitably managed in accordance with co-operative principles and practice so as to lift the economic and social standards of the members and, indeed, of the country as a whole. In order to achieve this objective as expeditiously as possible, governments gave grants or soft loans or guaranteed loans of big sums of money, for investment or servicing the co-operative movements. The governments have consistently and insistently argued that since public funds have been invested in co-operatives, then governments have a duty to ensure that this is put to proper use.

Governments further argue that even if co-operatives have generated money of their own and did not take government loans or grants, still these funds belong to members who are part and parcel of the general public and therefore, these funds have to be protected from misuse. For the governments to execute this task, they use their long arm of supervision, inspection and audit, to examine the affairs of co-operative societies. From their findings, the governments have accused a number of co-operatives of inefficiency and mismanagement of members' funds, hence the need for continued supervision and control.

On the other hand, co-operatives saw themselves as "growing children" and they expected governments to relax their supervision and control, as the former became more self-reliant and with increased capability of self-sustenance up to full maturity whereby the co-operative movements would be fully autonomous. The co-operative movements, therefore, accuse governments of not relaxing their supervision and control functions over co-operatives as time goes on, but rather, on the contrary, tightening supervision and control. In view of the fact that both parties target at the social and economic welfare of the ordinary man, suspicions and misunderstandings should be amicably ironed out so that joint plans of action and strategies are evolved to achieve the said objective.

In a research study by the ICA Regional Office, Moshi, of the Kenyan Co-operatives in 1978, the government-movement relationship was examined. It was found out that the Department of Co-operative Development had too many functions and roles vis-a-vis the meagre resources at its disposal. The report noted that in view of the few but highly trained personnel in the Department, they should use their skills and talents in building up systems of operations e.g. in the realms of credit and accounting while more of the supervisory and control functions went to the movement. In articulating this argument the report suggested that:

- ... the Department (of Co-operative Development) should welcome and initiate a dialogue with the movement to discuss:
  - the establishment of a permanent consultative body between the two;
  - the manner and indicative timetable for devolution of functions between them with the aim of freeing

the Government from unnecessary supervisory/control functions.<sup>1</sup>

In other words, the research study proposes a formula of relaxation of government supervision and control functions over co-operatives and the formula has to be evolved by a consultative organ representing the two camps. The proposed formula is formulation of a timetable whereby if a co-operative society developed up to a certain pre-determined grade, government supervision and control would be relaxed by a pre-determined amount. This process would continue until, if it reached the top grade, it would be granted autonomy. In case a co-operative society falls from the top grade to a lower one, the corresponding measures of supervision and control would resume and it would lose autonomy as decided by the consultative body. This proposal needs to be explored and amplified and evaluated for practical implementation.

## **5. THE ROLE OF ICA AND OTHER MULTILATERAL AGENCIES IN PROMOTION OF CO-OPERATIVE DEVELOPMENT IN THE REGION**

5.1. The International Co-operative Alliance, (ICA), currently headquartered in Geneva, is one of the oldest Non-Governmental Organisations (NGOs) in the world. The ICA was founded in 1895 as an association of co-operative movements representing the world co-operative movement. As of now, it comprises 165 member organisations from 71 countries and 8 international organisations with a membership of about 365 million people.

The objects of the ICA are as follows:

- a. To be the universal representative of Co-operative Organisations of all types which, in practice, observe the Co-operative Principles.
- b. To propagate Co-operative Principles and methods throughout the world.
- c. To promote Co-operation in all countries.
- d. To safeguard the interests of the Co-operative Movement in all its forms.
- e. To maintain good relations between its affiliated organisations.

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<sup>1</sup> ICA Regional Office, Moshi, *Institutionalised Supervision and Control vi-a-vis Performance of Co-operatives in Kenya, Moshi, 1978.*

- f. To promote friendly and economic relations between the Co-operative Organisations of all types, nationally and internationally.
- g. To work for the establishment of lasting peace and security.
- h. To assist the promotion of the economic and social progress of the workers of all countries.

The technical work of ICA is carried out through 9 Auxiliary sectoral committees : Agriculture, Banking, Consumers, Fisheries, Housing, Insurance, INTERCOOP (Commerce), Women and Workers' Productive Committees. The ICA has also 4 Working Parties : AGITCOOP (Advisory Group for the International Training of Co-operators), Librarians and Documentation Officers, Press and the ICA Working Party on Co-operative Research.

The Quadrennial Congress of the ICA is the highest governing body which meets after every four years. It appoints the Central Committee which meets annually. The Central Committee elects the President, two Vice-Presidents, together with 13 members of the Executive Committee at the Quadrennial Congress, to hold office until the next Congress. The Executive Committee meets at least twice a year and elects two Sub-Committees — the Executive Sub-Committee, dealing with finance, administration and policy matters, and the Co-operative Development Committee to deal with technical assistance problems.

In order to enhance co-operative development, particularly in developing countries, ICA formulated a policy to support co-operatives in developing countries. As a result, three Regional Offices have been established; one in New Delhi, India, for South-East Asia in 1960; one in Moshi, Tanzania, for East, Central and Southern Africa in 1968 and one in Abidjan, Ivory Coast, for West Africa in 1979.

The Moshi Regional Office initially served the three East African countries namely : Kenya, Tanzania and Uganda. Over the years, the area served by the office has considerably expanded so that it now covers 10 member countries : Botswana, Kenya, Mauritius, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Lesotho. Besides the above member countries, the Regional Office extends services on complimentary basis to four other countries in the Region : Ethiopia, Mozambique, Seychelles and Zimbabwe.

## 5.2. Organisation of the ICA Regional Office, Moshi

### 5.2.1. *The Regional Council*

This is the policy-making body of the ICA Regional Office and meets at least twice a year. It is constituted by the Chairman and the Chief Executive of each member organisation.

The meetings of the Regional Council are chaired, on rotational basis, by the Chairman of a member apex organisation. The incumbent holds office for one year and liaises and consults with the Regional Director on matters regarding the smooth running of the Regional Office as the need arises.

Its duties are as follows:

- To formulate policy guidelines for the Regional Office.
- To receive the Annual Activity, Financial and any other Reports of the year ending.
- To consider and approve Activity Plan for the Regional Office for the ensuing year.
- To consider and approve the budgetary estimates for the Planned Activities for the ensuing year.

### 5.2.2. *The Standing Committee*<sup>1</sup>

Standing Committees are small groups of at least two specialists from each country of the Region, which are supposed to meet once or twice a year as need arises, for discussions on matters of co-operative development in the Region in areas of their specialisation and competency. They also act as advisory organs to the Regional Council.

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<sup>1</sup> Originally, there were five Standing Committees on: Co-operative Education, Training and Publicity; Savings and Credit; Research, Planning and Consultancy; Women Education and Other Activities and Accounts, Audit and Statistics. Due to financial constraints, however, they were all discontinued except the Standing Committee on Education, Training and Publicity. The Standing Committees were discontinued when donor agencies reached the end of the period pledged for assistance of related co-operative activities in the Region.



At the moment, there is only one such committee, the Standing Committee on Co-operative Education, Training and Publicity. It is comprised of representatives (normally education functionaries) of national co-operative apex organisations, co-operative development departments and co-operative colleges.

Apart from discussing matters relating to co-operative education, training and publicity in general, this committee reviews yearly, education plans and recommends appropriate changes on strength of the identified needs.

### 5.3. **Activities of the ICA Regional Office, Moshi**

In pursuance of the objects of the International Co-operative Alliance, and in consonance with the ICA Policy for Co-operative Development, the Regional Office co-ordinates, guides and fosters co-operative development in the countries of the Region. It also serves as a means of channelling effectively, technical and financial assistance from ICA member co-operative organisations from the developed countries to the co-operative movements of the Region. In order to achieve the stated objectives, the Regional Office has concentrated on the following tasks:

- To provide a forum for exchange of views and experiences, among co-operative policy-makers, on co-operative development programmes and projects geared to co-operative development in the Region.
- To augment on-going co-operative development programmes and projects in the countries of the Region by various forms of assistance, viz. educational, technical and/or financial.
- To assist in identifying training needs and opportunities for co-operators and employed staff and provide the necessary training through workshops, seminars, meetings, conferences, study tours and other programmes.
- To provide research and consultancy services in different spheres of co-operative activity, according to the felt needs expressed by the countries concerned.
- To identify, discuss and find solutions to problems affecting co-operative development in the Region.
- To initiate and promote new areas of co-operative activities in response to member needs and assist in financing the same.
- ✓ – To operate as an information centre in a wide range of subjects related to co-operatives and co-operative development.

In carrying out the above tasks, the Regional Office has, to be brief, concentrated on the following activities:

- *Education and Training* — through seminars, workshops, conferences, study visits and follow-ups, important target groups were amply reached: grassroots level through training of trainers; committee members employed staff.
- *Strengthening National Co-operative Movements* — through imparting research and project planning techniques to national movement and departmental personnel through research and project planning conferences and workshops.
- *Research and Consultancy* — by deploying ICA Regional Office Personnel to carry out research and consultancy work in collaboration with national personnel and other consultants within the co-operative movements of the Region in response to specific requests from member movements.
- *Involvement of Women and Youth in Co-operative Activities* — through workshops and seminars, these target groups were reached and made aware of the vital role they can play in co-operative development. The youth, through joining co-operatives, could reduce unemployment and thus national burdens, whereas women, the major traditional crop producers, would take their rightful place through more participation and decision-making in the affairs of co-operatives.
- *Co-operative Insurance* — through seminars and workshops, there have been on-job-training for movement insurance officers and on basis of a huge unexploited potential, national Co-operative Insurance Services have been set up in some countries and ably compete with commercial insurance companies.
- *Inter-Co-operative Collaboration* — Awareness has been created about the vital role of inter-co-operative collaboration, particularly in the fields of inter-co-operative trade, exchange of expertise between co-operative movements and in future inter-co-operative technical assistance in the Region.
- *Promotion of Other Various Co-operatives* — through regional and national workshops and seminars, there has been a deliberate effort to promote all sectors of co-operatives such as, increase of managerial efficiency in agricultural co-operatives, promotion of consumer, housing, industrial, savings and credit, banking and other types of co-operatives.

#### **5.4. Collaboration between ICA Regional Office and Multilateral and Donor Agencies in Promotion of Co-operative Development in the Region**

The establishment of the ICA Regional Office was made possible by financial support from the Swedish Co-operative Centre (SCC) and the Swedish International Development Authority (SIDA). Up to date, the two institutions are the main financial contributors to the co-operative development activities of the ICA Regional Office, supplemented by ICA Head Office administrative contribution and annual subscriptions from ICA member organisations in the Region. In addition to the above, some co-operative institutions and multilateral/donor agencies and institutions, have collaborated and/or assisted the Regional Office in its tasks of co-operative development in the Region, as follows:

- The Dutch government assisted the Regional Office in making it possible to set up a Research, Planning and Consultancy Unit in 1973. The assistance was given until 1980.
- The Finnish Government made available, funds which made it possible to set up Co-operative Savings and Credit Consultancy Services at the Regional Office in 1975. The assistance continued until 1978.
- The Finnish E-Movement, through financial assistance from Kulutusosuuskuntien Keskusliitto (KK), assisted the Regional Office in carrying out a feasibility study on the development of a consumer co-operative movement in the Region. It was carried out from 1974 to 1976.
- In 1975, the Insurance Development Bureau (IDB) assisted the Regional Office to set up Co-operative Insurance Advisory Services for promoting co-operative insurance in the Region. In 1980, the assistance was integrated as part of the overall SCC financial support to the Regional Office.
- The Food and Agriculture Organisation of the United Nations (FAO) has collaborated with the Regional Office in promoting appropriate management systems in co-operatives and also, FAO has made funds available to the Regional Office for research studies.
- The United Nations Industrial Organisation (UNIDO) has collaborated with the Regional Office in organising an international conference on Industrial Co-operatives (Arusha, Tanzania, 1983).

- The Ford Foundation, the International Planned Parenthood Foundation and the Canadian International Development Agency, have assisted the Regional Office in funding the women co-operative activities.
- The International Development Research Centre has assisted the Regional Office to fund some of the research workshops.

#### **5.5. Problems encountered by the Regional Office**

From the above information, it is evident that the indicated assistance from governments and institutions to the Regional Office has been for specific periods or specific activities on *ad hoc* basis.

The SCC assistance to the activities of the Regional Office has not only been the largest but also continuous, since the inception of the office in 1968. The SCC has indicated it cannot maintain the same level of assistance but rather it will be on a declining basis. The ICA Head Office contribution cannot be increased significantly in the foreseeable future because of financial constraints. Member contributions have remained rather low in view of the meagre funds at their disposal.

While the funds available to the Regional Office are on the decline, the area covered by the Office has considerably increased and the problems to be attended to have also increased. In order for the Regional Office to adequately address itself to the various felt needs of co-operative development in the Region, there is a need for sufficient funds to enable the office to have adequate professional core staff and also sufficient funds to carry out both regional and national activities and also for follow-ups, to ensure that the impact trickles down to grassroot level.

The Regional Council and consequently the Regional Office, used to draw a tremendous amount of wealth of advice from the Standing Committees, which were composed of technical and professional advisers in their respective fields. Though critically needed and abundantly useful, the committees had to be discontinued, one after another, for none other than financial constraints, as already indicated earlier on in the paper.

If the needs and expectations of member organisations are to be met and fulfilled by the Regional Office, then ways and means of generating additional funds have to be sought. One way is to continue soliciting for funds from external donor agencies but more important and crucial is to evolve a strategy whereby a substantial amount of the required funds can be generated within the Region as is presently the case with the South-East Asia Regional Office.

## 6. FUTURE PROSPECTS AND STRATEGIES FOR CO-OPERATIVE DEVELOPMENT IN THE REGION

The future is usually not written but can be predicted and future prediction is largely based on the present state of affairs. Two prominent publications of the International Co-operative Alliance have addressed themselves both to the present and future of the co-operative movement.

One of the two publications observes that:

In these times of unfulfilled hopes and aspirations, the challenge to the world co-operative movement is greater than probably ever before<sup>1</sup>

Then addressing itself to the prediction of the state and role of co-operatives in the future the ICA observed that:

From the perspective of 1980, we see humanity at a dangerous point as it has never been in all recorded history. Of one thing we can be quite certain: Co-operatives will be obliged to operate in a world that is largely not of their own making. But this is not to say that people working through co-operatives cannot help to make the future, for indeed this is the central purpose of the co-operative movement: to help make a different and a better kind of world. The history of the future has not been written, and co-operators must be determined to have a hand in writing it. In short, co-operators can be active participants in the planning, and indeed creators of the future, if they have a mind and a will for it<sup>2</sup>.

Given the impact co-operatives have had in the countries of the Region and elsewhere and also in view of the economic and social conditions which worsen and deteriorate as we go into the future, co-operatives will be expected to play even a greater role, than ever before, so as to save the African masses from hardships and suffering. In order for co-operatives to achieve this noble goal they will have to practically address themselves to some of the major bottleneck areas and prospects such as:

### 6.1. Co-operative Education and Training

As already indicated, co-operative education and training is the basis for effective co-operative development. Of crucial importance is education and training at grassroot level in order to prepare this target group for democratic participation in the affairs of their

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<sup>1</sup> *International Co-operative Alliance; An ICA Policy for Co-operative Development, Geneva 1983.*

<sup>2</sup> *International Co-operative Alliance; Co-operatives in the Year 2000, London, April 1980.*

co-operatives. Examples from some countries in the Region testify that some success has been scored in this area by bringing education and training nearer to the people and such experiences could be of benefit if transmitted to other countries in the Region. Such successes have been recorded, for example, in Kenya, Tanzania and Uganda as follows:

- Establishment of Field Education Centres and Co-operative Wings at which co-operative field educators are stationed. They are mainly charged with education and training of members, committee members and employed staff of primary co-operative societies. In order to reach a wider audience the centres and wings are supplemented by use of radio programmes.
- The Co-operative Colleges have also been extensively used in Kenya, Tanzania, Uganda and Zambia, to train the committee members, employed staff, both middle and high level cadres. In cases where room for accommodation became a constraint, co-operative colleges have used correspondence courses.

Besides grassroot and middle cadre levels, there is need to train high level manpower for manning apex organisations and other national co-operative organisations. They would also give guidance at national level and also assist in training trainers who would in turn train others until the grassroots were adequately penetrated.

There is also an urgent need to involve youth into co-operatives. The youth of today are the co-operators of tomorrow. Therefore, a youth trained in co-operative philosophy now will make a better co-operator in future. It is, therefore, of paramount importance to introduce co-operative education in schools. In many countries of the Region, primary education is terminal for most students and they are forced to be on their own at a young age and not knowing what to do. As those who do not go beyond primary level deserve dignity and at least modest living, co-operation would open an avenue for them as productive citizens.

Universities and other institutions of higher learning are also a convenient target for co-operation as a strategy of having high level manpower in the co-operative movement and also having multi-functional high level extension workers.

Education and training is an investment that does not give quick and tangible returns which can directly be re-invested and it needs a lot of resource input. It requires training infrastructure, expensive manpower and it is demanding in maintenance. Nevertheless,

given its basic importance, there should be a deliberate strategy to plan comprehensive co-operative education and training programmes. This should form part and parcel of the national co-operative development plans which should be evaluated at the end of the plan so that fresh strategies are mapped out.

#### **6.2. Provision of Adequate Financial Facilities**

As it was observed earlier, one of the problems very common to co-operatives is lack of finance capital. The funds available from commercial banks are very expensive and in cases of overdrafts the business some co-operatives do cannot afford repayment.

At individual level, the bureaucratic and lengthy procedures of acquiring loans from commercial banks are too cumbersome and prohibitive for individual peasants. A co-operative society, therefore, becomes a much better platform of acquiring bank loans and thousands of peasants who would otherwise never have had access to loans have, as a result, got it. The co-operatives have also proved to be effective in mobilisation of savings from members, the savings which would otherwise never have found its way in the banking stream.

Government assistance will be necessary to assist co-operatives build up their own financial institutions which could make funds available to affiliated societies and finally to members, on concessionary terms. In Kenya, Mauritius, Botswana and Uganda, where co-operative banks have been set up, procedures of channelling loans to members have been eased and speeded up, although some of them still need government financial support in order to expand and reach a wider coverage of members. Other countries might wish to learn from the experiences of those countries which have set up co-operative banks and banking services at union and primary society levels.

#### **6.3. Encouragement of Co-operatives Through Government Legislative Measures**

Although it is envisaged that governments will grant more autonomy to co-operatives as they develop, governments will be expected to assist co-operatives as part of the national socio-economic set-up. Governments will, therefore, be expected to enact legislation which will protect and promote co-operative societies in their respective countries.

Governments should initiate and carry out land reform programmes in order to make land available to those who can use it. In order to facilitate full utilisation of such land, agricultural, price, pricing and marketing policies will have to be revised so that they provide more incentives to small farmers. Small farmers should be given an opportunity to influence such policies through their co-operatives. This can be done if co-operatives are represented in policy formulating organs such as the Ministry of Agriculture and government-instituted marketing boards.

In the meantime, relations between marketing boards and co-operatives should be reviewed. Marketing boards were initially meant to be small bodies co-ordinating marketing of crops, especially export crops. Over the years, however, they have grown into huge bureaucratic institutions whose maintainance reduces the income that should normally go to the farmer. Co-operatives should, where possible, take over the functions of marketing boards as this would increase incomes to farmers or in case of some countries, their roles should be separated to avoid overlap especially in domestic marketing. In some cases, co-operatives should be allowed to compete with boards so that the former also gets a share of export markets. Many changes to the advantage of co-operatives are possible, so long as there is political courage and commitment from governments.

#### **6.4. Inter-Co-operative Collaboration**

Although collaboration exists between the governments in the Region, this has not been satisfactory on the side of co-operatives. Each co-operative movement in one country has always got something to learn from a co-operative movement in another country.

In most instances, vital items such as agricultural inputs, implements and other equipment are imported from abroad and the major problem is usually the availability of foreign exchange which is aggravated by high freight charges for long distances. In some cases, these items are available in some countries of the Region but the problem is lack of information on what each country needs and what the other can offer.

Promotion of inter-co-operative trade within the Region is very timely. It can further be facilitated by the fact that some important infrastructure exists. The existence of the Southern African Development Co-ordinating Conference (SADCC) and its facilities, should be taken as a major advantage and exploited accordingly.



As foreign exchange is a major constraint, inter-co-operative trade, through barter arrangements, should be promoted. The amiable political climate prevailing in the Region should also be fully utilised. The setting up, for example, of the Preferential Treaty Area (PTA) augers well for the promotion of inter-co-operative trade.

At an ICA Regional Seminar on Promotion of Co-operative Trade in 1982, a number of items and commodities in which inter-co-operative trade could be promoted were identified and the seminar generated positive thinking on co-operative trade in the Region. As a follow-up a team of experts has been appointed to study the prospects further and how existing bottlenecks could be removed. It is hoped the findings will open new and serious avenues for promotion of inter-co-operative trade within the Region and also with outside world.

Education and training, research studies and consultancy, information and experiences, can also be exchanged within the Region to the advantage of each country. In a case where teaching materials have been developed in one country, it may be cheaper and more advantageous for other countries to use such tested materials rather than embark on development of the same which would be duplication of effort. A country with more experts in one field should help a country with a shortage of the same personnel. There should, for example, be co-ordination and collaboration in insurance and banking matters so that in future, there can be considerations of setting up banking and insurance co-operative multinationals on a Regional basis. This could later spread to other activities and services.

#### **6.5. Set Targets in Co-operative Development**

If co-operative development has to be accelerated, targets to be achieved in a specified time have to be set. This can be done through formulating co-operative plans which can be reviewed at the end of the plan. In such plans, priorities and areas of concern should be highlighted and methods of achieving them spelt out. It would also be an advantage if such national plans were exchanged amongst movements in the Region in order to share ideas and strategies.

Priorities differ from country to country and they change with time. In a survey carried by the ICA Regional Office, Moshi, in 1983, <sup>1</sup> each country had its priorities but on aggregate weighting, the priorities at Regional level were as follows:

- a. Enhancing the financial capability of the national apex organizations
- b. Co-operative education and training
- c. Research and Consultancy
- d. Women and Youth
- e. Co-operative Insurance
- f. Inter-co-operative Trade
- g. Promotion of various co-operative sectors, e.g. agricultural, consumer, industrial, banking, housing, savings and credit, fisheries, etc.

Priorities should be set at national level and also at Regional level for those items which require inter-Regional collaboration.

#### **6.6. Financial Package**

In order to step up co-operative development at a considerable pace, considerable amount of funds will be needed in each country. Co-operatives alone cannot generate this amount and even at national level, this may not be possible. Governments and Movements should, therefore, work out strategies for generating the required funds from internal and external sources. When negotiating for foreign aid and procurement of funds from other donor and multilateral agencies, co-operative development should be kept into consideration. Collaboration with Non-Governmental Organisations and UN agencies should be stepped up.

7.

#### **CONCLUSION**

The convening of the First African Ministerial Co-operative Conference is opportune and timely and it is hoped that it will lay solid and concrete strategies for co-operative development in the Region.

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<sup>1</sup>  
*ICA Regional Office, Moshi, Review of the Work of the ICA Regional Office and Priority Areas for Assistance to Co-operative Movements in the Region for the Next Five-Year Period, Moshi 1983.*

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