



Cooperating out of poverty

The renaissance of the African cooperative movement

Patrick Develtere, Ignace Pollet & Fredrick Wanyama (eds.)



This publication includes the Foreword, Introduction and Executive Summary of **Cooperating out of poverty: the renaissance of the African cooperative movement.**

The full book will be published in late 2007.

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2007

International Labour Office
World Bank

Acknowledgments and disclaimer

This book is the result of a study programme undertaken in 2006 funded by the UK Department for International Development (DFID) for the benefit of the African countries. The study programme *Essential Research for a Cooperative Facility for Africa* was initiated by the Cooperative Branch of the International Labour Office and is coordinated by HIVA (Katholieke Universiteit Leuven, Belgium). The research team is grateful for the support it received for its work. We wish to thank J. Schwettman, Guy Tchami and their colleagues at the ILO Cooperative Branch for the tremendous effort in bringing together all parties concerned with this research. Much time has been devoted to this programme by hundreds of cooperative leaders and members, support agency personnel, government officials and staff of donor agencies. We wish to express our particular appreciation for the help, suggestions and reflections from the International Cooperative Alliance and its African offices. Finally, Joan Macdonald in Geneva and Gillian Lonergan and the UK Co-operative College in Manchester spent much time helping with the editorial work, for which we are very grateful.

The views expressed in this book, however, are the sole responsibility of the authors of respective chapters and do not necessarily represent or correspond with those of DFID, the ILO or HIVA.

Cover picture: Members of mushroom and hen house cooperative in Tanzania © ILO: M. Crozet.

ISBN 0 95195 313 1

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Printed by Rap Spiderweb, Clowes Street, Hollinwood, Oldham OL9 7LY

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Acronyms

This is a general list of acronyms and abbreviations. For country-specific acronyms, please see the relevant country studies in the book.

ACDI/VOCA	Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance
CBO	Community Based Organization
CCA	Canadian Cooperative Association
CGAP	Consultative Group to Assist the Poor
DANIDA	Danish International Development Agency
DGRV	Deutschen Genossenschafts- und Raiffeisenverband
DFID	Department for International Development
EU	European Union
FAO	United Nations Food and Agriculture Organization
GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	German Technical Co-operation
HIVA	Higher Institute for Labour Studies (University of Leuven, Belgium)
ICA	International Cooperative Alliance
ILO	International Labour Office
LDC	Least Developed Country

Acronyms continued

NGO	Non-governmental organization
PRSP	Poverty Reduction Strategic Paper
SACCO	Saving and credit cooperative
SAP	Structural Adjustment Programme
SCC	Swedish Cooperative Centre
STEP	Strategies and Tools against Social Exclusion and Poverty
SWOT	(analysis) strengths, weaknesses, opportunities, threats
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WOCCU	World Council of Credit Unions



Cooperative meeting, Côte d'Ivoire. © ILO: J. Maillard

Members of the Bukoba Women's Savings and Credit Co-operative, Tanzania.
© Co-operative College: Cilla Ross

Member of the Kampala shoe shiners' cooperative, Uganda.
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Participants at a student cooperative forum at the Lesotho Co-operative College.
© Co-operative College: Mervyn Wilson

Learners in a cooperative class at Wazalendo Secondary School, Moshi, Tanzania, a school started and supported by the local savings and credit cooperative.
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Foreword

Eradicating poverty in Sub-Saharan Africa continues to be the biggest challenge for the global community today. During the last 25 years, the number of poor has doubled from 150 million to 300 million, half the population surviving on \$1 a day or less. According to the report of the Commission for Africa, “the continent needs successful African entrepreneurs and a strong and vibrant small enterprise sector to provide the innovation and productivity growth necessary for long-term poverty reduction”.

Cooperatives are omnipresent on the African continent and represent a significant part of the private sector in most African countries. In a context of global effort led by the United Nations to reduce poverty the question is then to find out what potential does the cooperative form have in practice to contribute to the development process¹ and then to the set objective? In 1993, the World Bank acknowledged the development potential of cooperatives, provided they were restructured and disentangled from the state and run on business principles in line with the market economy². Reports on their failure were abundant at that time especially because cooperatives were introduced in Africa as a foreign model specifically designed for colonial purposes. During that period, cooperatives in Africa were used by the colonial powers as a strategic tool to group rural producers into clusters, so that essential export commodities such as coffee, cocoa and cotton, could be collected more cost-effectively. After independence, the governments of the now sovereign States accorded an essential role to cooperatives, in particular for the development of rural areas. Cooperatives enjoyed preferential treatment and were granted supply and marketing monopolies which protected them from competition. They paid for these privileges with the total loss of autonomy, democratic control and business efficiency. Cooperatives degenerated into tools of government, or mass organizations of the ruling party. This was the situation in many African countries, when the era of structural adjustment began in the late 1980s. Structural adjustment resulted in the withdrawal of the State from

economic and development functions, and the sudden liberalization of state-controlled cooperatives. The great majority of development partners promoted the concepts of liberalization, deregulation and privatization – in this context, cooperatives were considered an obsolete model. The disintegration of many state-controlled cooperative movements in the 1990s seemed to confirm this observation. But it was then that a *third* generation of African cooperatives appeared: authentic self-help organizations began emerging from the grassroots, being rooted in local communities, giving voice to local producers, and building strength in local economies.

This book contains many examples of successful, genuine and economically viable African cooperatives which create economic opportunities, provide a basic level of social protection and security, and provide their members with voice and representation. Commissioned by the Cooperative Branch of the International Labour Office, the Higher Institute for Labour Studies coordinated in 2005 a one-year research project funded by the UK Department for International Development. This project aimed at assessing the contribution and potential of cooperatives and group-based enterprises to create decent employment, economic activities, basic social protection and voice and representation in African economies including rural and informal sector.

In the first part, the book gives an overview of cooperative development in Africa up to the 1990s with the five different “traditions” that appeared under the various colonial administrations: a unified cooperative model, a social economy model, a social movement model, a producers’ model and an indigenous model. Based on field research, this first part also offers the reader insights proving that cooperatives continue to play an important role in African economies. To illustrate this “Renaissance of African cooperatives”, the second part provides the reader with eleven in-depth country studies carried out by academically qualified local researchers. Besides these in-depth studies, the field research consisted of a rapid appraisal by “cooperative insiders” carried out by either the apex body or the government department in charge of cooperatives in sixteen African countries.

The task entrusted to the authors was not an easy one especially with the lack of recent literature and data surrounding this particular form of organization. This deficiency is one of the reasons explaining that the contribution of the cooperative model to poverty alleviation continues to go unrecognised by development policy makers. The case of Mwalimu Savings

and Credit Cooperative Society of Kenya with accumulated savings of close to one hundred million US-\$\$; the example of Mooriben in Niger which provides 25 000 households with affordable, nutritious food; and the UNICOOP cooperative in Cape Verde, the country's largest supplier of consumer goods, provide concrete evidence that demonstrate the potential of cooperatives in Africa. 150 000 collective socio-economic undertakings have been listed in the eleven-country sample, most of them registered as cooperatives. The study tells us that out of one hundred African households, seven belong to a cooperative-type organization. Many Africans are convinced that *cooperating out of poverty* is possible.

The book does not conceal the weaknesses and deficiencies of cooperatives in certain countries or sectors. Most notably is the insufficient capacity of cooperatives to defend the interests of their members vis-à-vis governments, donors and other social and political actors. This calls for greater horizontal and vertical integration of primary cooperatives.

We are convinced that this book will contribute to boosting the "Renaissance of the African Cooperatives", thus supporting the global fight against poverty. The World Bank Institute and the International Labour Office are grateful to the authors for having taken up this challenge.

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¹ Birchall J. (2003), *Rediscovering the cooperative advantage*, Geneva, ILO.

² Hussi, P., Murphy, J., Lindberg, O. and Brennenman, L. (1993), *The Development of Cooperatives and Other Rural Organizations: The Role of the World Bank*, The World Bank, Washington, D.C.; Porvali, H. ed. (1993), *The Development Of Cooperatives, Agriculture and Rural Development* Series No. 8, The World Bank, Washington, D.C.



A market in Dar-es-Salaam, Tanzania. Loans from a savings and credit cooperative help women to develop viable businesses including cooking for market traders and selling vegetables.
© Stirling Smith



Introduction

Patrick Develtere¹, Ignace Pollet² & Fredrick Wanyama³

The history of cooperative development in Africa has resulted into two popular, but very contradictory conclusions. On the one hand, there is the view that cooperatives in Africa have failed to live up to the challenges of developing the continent. That they ceased to be development agents when they were hijacked by governments and other state agencies. As government instruments, they do not resonate with the local culture and have subsequently performed poorly as evidenced by the many malfunctioning cooperatives. On the other hand, there is the opinion that cooperative entrepreneurship is the way forward for African development. Those who hold this view have maintained that cooperatives as private enterprises do also fit very well with communal cultures in Africa. That this combination of business enterprises (for the mobilization of resources) with the concern for communal welfare has seen many cooperatives help poor people out of poverty and create wealth in their communities.

This research project was set up to help disentangle these contradictory perceptions that have continuously preoccupied many people, including cooperative members and leaders as well as government and donor agencies. The central objective of the study was thus to make an objective analysis of the state of affairs of the cooperative sector in Africa since the liberalization of the economy in the early 1990s. We know that the cooperative sector is very heterogeneous, that the continent is vast and that the problem is extremely complex. We also know that very little is known about the cooperative sector, particularly in the said period; that it is very data-deficient and that not much scientific research has been done before. We therefore had to make a number of critical choices on how to proceed with this delicate exercise.

We decided that we did not want to lose a historical perspective in favour of a more prospective one. Cooperatives in every African country were introduced many decades ago. The colonial and post-colonial phases they

went through have definitely left their mark on the way people look at cooperatives, the way cooperatives operate, and the way external patrons such as governments and the donor community relate with them. This is what economists and other social scientists call “path dependency”. To get a grasp of this historical burden, we first studied the cooperative traditions on the continent from the existing literature. We discovered indeed a unified cooperative tradition, a social movement tradition, a social economy tradition and an indigenous model. These traditions cut across countries and linguistic frontiers, but are to some extent related to the colonial roots of cooperative development in Africa. Five researchers who are very familiar with these traditions, therefore, produced background papers on them. They have been extremely useful for the writing of the first chapter in this book.

Secondly, we decided to take a birds’ eye view of the cooperative panorama in Africa using the rapid appraisal methodology. To get as many perspectives as possible, we worked with 16 cooperative experts in 16 African countries who did an appraisal of the cooperative sector in their respective countries. These experts, in most cases, are themselves involved in cooperative institutions such as government departments for cooperatives, cooperative apex bodies or cooperative colleges. Through their lenses, we learned that the cooperative sector is still very much alive and kicking, fraught with many problems and obstacles, but showing signs of rejuvenation and rapid expansion in some fields.

With these insights, we sought to have more assurance on the reliability of the available data and documentation, knowing that many registered cooperatives are dormant and realizing that many cooperatives do not seek registration or seek refuge in other legal or *de facto* forms of organizations. Amongst others, we discovered that the social economy tradition, which has its roots in Francophone countries with its many pre-cooperative, mutual help and mutual support organizations other than cooperatives, was making inroads in other countries as well. We thus chose to have in-depth studies executed in 11 countries by professional researchers in the latter part of 2005. The studies helped to grasp more precisely the extent of the cooperative sector, but also to understand the way it was integrated and structured. In addition, the studies shed light on the major strengths and weaknesses of the cooperative sector and its many constituent parts. Intrigued by the reasons for the vibrancy or failure of cooperative undertakings, each national study also looked more closely at the

operations of a selected number of relatively more successful and the less successful cooperative ventures. A total of 27 case studies were generated through this exercise.

As already noted above, the cooperative movement in Africa is heterogeneous and complex, such that a single study may not be able to cover all its activities. This is particularly the case because all genuine cooperatives have their own agenda and also write their own scripts. In addition to this, we also know that cooperatives, just like other popular institutions operating in a development context, are continuously bombarded with new challenges, fashions and programme objectives that originate from governmental and donor arenas. Ultimately, there can be so much to cover that a single study may not execute effectively. We, therefore, had to draw some limitations. We selected four themes that are at present (among many others) high on the development agenda for Africa, namely employment creation, poverty reduction, social protection and voice and representation. For practical, of course not ideological, reasons other topical subjects such as environmental protection and gender were not retained. For each of the selected themes we wanted to know how cooperatives were contributing and performing in the eleven selected countries, as well as to understand the extent to which these concerns are also shared and perceived by the cooperative members and leaders. So in each national study contained in the subsequent chapters of this book, a more general picture of the cooperative sector will be followed by a look at these four issues.

Whereas part one of the book discusses the various traditions of the African cooperative movement and gives an overall view of the findings of the study, the second part of the book presents the findings of the eleven country studies. Taking the historical perspective as well as the overall analysis of the state of affairs of cooperatives in the 16 countries from which data were gathered, the researchers concluded during a three-day workshop in Addis Ababa, Ethiopia that we are witnessing a renaissance of the cooperative sector in Africa. Cooperatives can work in Africa and work for Africa. Cooperatives have gone through a lot of upheavals in the past; but at present they represent a significant number of people, of which the majority is poor. Their cooperative, however strong or weak it might be, is more often than not the only institution they can rely on to protect themselves against the hard conditions of the market and society. Cooperating out of poverty is the only perspective they see. Nevertheless,

the movement is currently very fragmented and dispersed. Its visibility is very low and the voices of this silent group are not heard very much by the national and international élite. We hope that this book can somehow remedy this.

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³ Fredrick O. Wanyama holds a PhD in Political Science from Maseno University, Kenya and is a Senior Lecturer in the School of Development and Strategic Studies at the same university. Specializing in local organizations and politics in the African development process, he has contributed many chapters and articles to academic edited books and refereed journals. He is a recipient of fellowships from distinguished bodies like CODESRIA, DAAD, the Five College African Scholars Program, Amherst, Massachusetts, USA and HIVA at the Katholieke University of Leuven, Belgium.



Mohair weaving at Lesotho Handicrafts Co-operative headquarters in Maseru.
© Co-operative College: Mervyn Wilson

Members of the Amizero Women's Association in Kigali, Rwanda, are making their living out of recycling household waste. © Stirling Smith





Celebrations at a savings and credit cooperative in Eastern Uganda.
© Stirling Smith

Members of a worker co-operative caring for HIV/AIDS sufferers in South Africa.
© Canadian Co-operative Association: Peter Wilson



Executive Summary

Though cooperatives in Africa have their origins in foreign models that were largely designed to achieve exterior motives, they have become one of the main forms of popular economic and social organization for the alleviation of poverty. Their functioning over the decades has, however, been influenced by at least five different models that are mainly, but not exclusively, traced to the colonial traditions on the continent. These are a unified cooperative model; a social economy model; a social movement model; a producers' model; and an indigenous model. Regardless of their different orientations, all these models had, by the early 1990s, conditioned virtually all cooperatives to emerge as dependent agents or clients of the state and other semi-public agencies in many countries. They hardly operated as private business enterprises that are primarily driven by the interests of their members. Most of the studies on African cooperatives up to the 1990s subsequently concluded that they were performing poorly partly due to this dependent relationship with the state that undermined their operation as business enterprises.

The advent of the liberalization of the economy in the early 1990s was, therefore, expected to give co-operators the chance to become the real owners of their cooperative businesses and turnaround the performance of their business enterprises. However, the impact of the liberalization measures on African cooperatives is little known. One hardly comes across comprehensive accounts that inform the current status and functioning of the cooperative movement in any country on the continent since the early 1990s. The main motivation of this study was, therefore, to show the state of affairs of the cooperative sector in Africa in this period by indicating the presence and growth of cooperatives as well as their contribution to employment creation, social protection, voice and representation and, ultimately, poverty reduction.

With field accounts from sixteen African countries, this study demonstrates that cooperatives have not withered away with the liberalization measures,

for they continue to play an important role in the economy. Approximately seven per cent of the African population reportedly belongs to a cooperative, though some countries like Egypt, Senegal, Ghana, Kenya and Rwanda report a higher penetration rate of over ten per cent. In some countries, the number and membership of cooperatives have significantly increased since the early 1990s, following the revitalization of the previously underperforming cooperatives and the emergence of new ones. We are confident that there are about 150,000 cooperative or cooperative-type organizations in the countries under review. With regard to size, there are both large and small cooperatives; the former are mainly found in “traditional” cooperative sectors like credit and agriculture while the latter are organized around the relatively new cooperative activities like handicraft, distribution, manufacturing and social services. For instance, one of the largest cooperatives in Africa in terms of membership is Harambee Savings and Credit Cooperative Society in Kenya with 84,920 members, but Mwalimu Savings and Credit Cooperative Society in the same country, with a membership of 44,400, probably has one of the highest annual turnover of Kshs. 711,562,812 (US\$. 98,828,816). Small cooperatives can also be viable. A good example is the Rooibos Tea Cooperative in South Africa that has only 36 members, but with an annual turnover of 1,250,000 South African Rands (US\$. 198,413).

This era of “cooperative freedom” has also witnessed a renewal in the integration of the sector as the previously state-imposed and non-viable federations as well as apex bodies have been rendered redundant and alternative voluntary, autonomous, strategic and more viable consensual cooperative networks based on members’ needs in the unfolding new socio-economic environment are being formed. Indeed, the emerging networks are increasingly eroding the unified cooperative model that was very common in the Anglophone countries. There are indications that the sector is drifting towards the social economy model, which had been well-established in the Francophone countries, that blends cooperatives and other group-based organizations along socio-economic motives. With cooperatives turning away from being used as instruments of the state to their ideal form of being autonomous group-based democratically controlled enterprises, there is a momentum towards the renaissance of cooperatives in Africa.

The loss of the monopoly status, coupled with the business-oriented demands of the market, is increasingly seeing cooperatives redesign their activities competitively. For instance, though agricultural activities remain

predominant, those that are no longer profitable are being abandoned in favour of others that are more viable on the market. This partly explains, for example, why the continent is witnessing substantial growth of savings and credit cooperatives. The main reason is the high demand for financial services on the market and the profit that results from such transactions. Furthermore, some cooperatives are steadily shifting from being unifunctional to take on other activities as demanded by the members as well as the market. For instance, hitherto agricultural cooperatives are diversifying their activities by also venturing into the fields of savings and credit as is the case in Ghana, Egypt and Kenya. To this end, cooperative ventures in Africa are increasingly becoming market-driven and responsive to changing circumstances. With a few exceptions resulting from the poor or inadequate preparation of cooperatives for the competitive market, liberalization has served well the interests of cooperative development on the continent. This is evidenced by the fact that those cooperatives that have adapted to the new environment have come out stronger than they were before the liberalization of the sector.

Whereas past studies correctly indicated that excessive donor funding of activities that had been imposed on cooperatives had significantly contributed to the poor performance of these organizations, the evidence in this study is that successful cooperatives in the new era have enjoyed some structured collaboration and partnership with external actors. Such partners have collaborated with cooperatives in the provision of low-interest credit for capital-intensive investments; marketing of cooperative produce, particularly through fair trade arrangements; facilitating the creation of suitable legal and policy environment for cooperative enterprises; and facilitating educational and training programmes in cooperatives, among others. It is thus apparent that donor support to cooperatives is positive particularly when cooperators are involved in making the decision on what kind of support they require before it is provided. Indeed, the evidence from some countries suggests that lack of such structured support had adversely affected the ability of cooperatives to effectively compete with private enterprises that are financially stronger on the market. The success of African cooperatives, therefore, requires both local and international consultative networking to provide supplementary support services that would enable them to even out with the relatively stronger private competitors.

The study shows that the success of cooperative enterprises in Africa can significantly contribute to poverty alleviation in a number of ways. For

instance, it has been demonstrated that cooperatives create employment and income-earning opportunities that enable members to pay school fees, build houses, invest in business and farming, and meet other family expenses. They also create solidarity mechanisms to re-enforce the traditional social security system, which is largely undeveloped, by setting up schemes to cater for expenses related to education, illness, death and other unexpected socio-economic problems. And by integrating the poor and the relatively well-off in the same income-generating opportunities, cooperatives also make a contribution to the reduction of exclusion and inequality. This study has, therefore, succeeded in unveiling the African cooperative sector since the liberalization of the economy in the early 1990s. It is apparent that the cooperative sector is present, but relatively silent and, to a certain extent, timid due to the absence of vertical structures to articulate its interests and show its presence. Perhaps it is this lack of a voice that has seen governments, donors and even researchers by-pass the sector; thereby denying it the very much needed visibility on the development scene. We hope that this study makes a case for the visibility of the cooperative movement on the continent.



Stone breaking was the principal activity for women in the quarries of Mtongani, Tanzania before the establishment of the mushroom and hen house cooperative © ILO: M. Crozet





Wamumo Enterprises & Commercial Services worker cooperative, near Nairobi, Kenya.
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Kuapa Kokoo meeting at a village near Kumasi in Ghana. © Stirling Smith



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