

Cooperative Development

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Cooperatives and Employment in Africa

by Jürgen Schwettmann

ILO Cooperative Branch

This discussion paper is circulated in a limited number of copies to stimulate discussion and critical comment

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Foreword

The role of cooperatives in employment creation has always been a major concern of the ILO and its constituents. The ILO Recommendation No. 127 of 1966 concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries lists employment creation among the main objectives of cooperative development.

It is for this reason that UNDP and the ILO have decided to include cooperative aspects into their joint TSS-1 exercise entitled “Job Creation and Poverty Eradication in Africa” which aims at formulating an employment promotion programme for sub-saharan Africa. The TSS-1¹ funds have enabled the ILO Cooperative Branch to conduct the present study that gives a general overview of the employment creation potential of cooperatives in Africa and proposes a strategy to exploit this potential to its fullest extent. A planned, second volume will contain country studies on the same subject.

The present document is partly based on the study “Cooperatives and Employment in Developing Countries” that was prepared in 1994 by Mr. Roland Lindenthal for the ILO Cooperative Branch. It has greatly benefitted from the contributions received from cooperative apex organizations and governmental cooperative departments of many African countries. Moreover, we wish to acknowledge with gratitude the contributions made by colleagues in the Cooperative Branch, in particular Mr. M. Levin, Mr. G. Renard and Mr. H. Polat, by ILO experts working in cooperative development projects, in particular Ms. S. Becker, Ms. S. Bockstal, and Mr. S. Mshiu, and by Mr. E. Kamdem of the ILO Multidisciplinary Team in Abidjan.

J. Fazzio
Chief
Cooperative Branch
Enterprise and Cooperative Development Department

¹TSS-1 means Technical Support Services at the Programme Level; it is a facility established by UNDP to support UN-agencies in the field of programme formulation.

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List of Abbreviations

AAFCOOP	Association des auditeurs et formateurs des coopératives (Cameroon)
ACCZ	Association des conducteurs de chariots du Zaïre
ACOPAM	Appui associatif et coopératif aux initiatives de développement à la base (ILO, Dakar)
AMS	Agricultural Marketing and Supply (Cooperative)
BAS	business advisory services
CFD	Ciasse française de développement (France)
CICOPA	International organization of industrial, artisanal and service producers' cooperatives
CODEC	Cooperative Development Centre
CODIMAS	Coopérative de distribution du matériel scolaire (Benin)
DASICO	Dar es Salaam Industrial Cooperatives (Tanzania)
DESWOS	Deutsche Soziale Wohnugsbau Stiftung (Germany)
ESOP	Employment Stock Ownership Programme
EU	European Union
FAO	Food and Agriculture Organization of the UN
FCFA	Franc de la communauté financière africaine
FG	Franc Guinée
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HASIDA	Handicraft and Small Industrial Development Organization (Ethiopia)
HIC	handicraft and industrial cooperative
ICA	International Co-operative Alliance
IEC	Inter-Enterprise Cooperation
ILO	International Labour Organization/Office
INTERCOOP	ILO programme for the promotion trade among cooperatives
MATCOM	Materials and techniques for cooperative management
n.a.	not applicable
NCBA	National Cooperative Business Association (USA)
NGO	non-governmental organization
NUM	National Union of Mineworkers (South Africa)
SAP	Société Africaine de prévoyance
SDID	Société de développement international Desjardins (Canada)
SIDO	Small Industrial Development Organization (Tanzania)
SIP	Société indigène de prévoyance
SME	small and medium-sized enterprise
UCA	Uganda Cooperative Alliance
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions
WSM	World Solidarity Movement (Belgium)

Executive Summary

Cooperatives are successful in economic development because they are commercial organizations that operate by a broader set of values than those associated with the narrow pursuit of profit alone. Cooperatives are first and foremost businesses, but at the same time they practice economic fairness by ensuring equal access to markets and services among an open and voluntary membership base. Because they are owned by the consumers of the services they provide, cooperatives tend to make decisions that balance the need for profitability with the greater interests of the community which they serve.

More than 40% of all households in Africa are members of a cooperative society. Taken as a whole, the cooperative movement is Africa's biggest non-governmental organization; cooperatives play a significant role in many national economies, and have created a great number of salaried jobs and self-employment opportunities in Africa.

Yet, the role of cooperatives in employment creation has been neglected by employment planners, cooperative promotion agencies, social partners and donor organizations alike. In many African countries, cooperatives were considered primarily as tools to execute certain economic or political functions on behalf of the government, not as autonomous, member-based organizations that create and consolidate self-employment. This policy of "incorporation" has done great damage to cooperative development in Africa. Fortunately, government policies towards cooperatives have changed after the economic reforms and the democratization process that have taken place in most African countries. Today, the economic, political, legal and administrative environment of many nations is conducive to the development of genuine, self-reliant and autonomous cooperatives and similar organizations which can greatly contribute to job creation and to the empowerment of the poorest. This opportunity must be seized.

The present report shows that African cooperatives have created a sizeable number of salaried jobs; yet, their biggest employment creation potential lies in the field of direct and indirect *self-employment*. Cooperatives do have a comparative job creation advantage over other types of enterprises: they are labour intensive by nature, they are cost-effective because of member commitment and participation, they generate economies of scale and scope through horizontal and vertical integration, they establish links between the informal and the formal sectors, and they put economic and social development on a broader base. Worker-owned cooperatives provide their members with decent, permanent

jobs; client-owned cooperatives, which are predominant in the agricultural sector, can stabilize existing self-employment in rural areas; financial cooperatives can mobilize savings among the poorest and thus accumulate capital for productive investment; and social cooperatives provide self-employed workers with a minimum of social security while creating jobs in the social service sector.

This report proposes a three-pronged strategy to exploit the employment creation potential of cooperatives fully:

- (i) *Support to macro reforms and to capacity building in organizations that provide assistance to cooperatives:* Policy, legal and institutional reforms are still necessary in some countries to create a favourable climate for cooperative development. The design and implementation of such reforms usually require highly specialized, short-term expertise that development partners should make available. Secondly, many agencies, including NGOs, promote cooperatives and similar associations without having the appropriate expertise. Follow-up programmes to cooperative reforms should therefore include capacity-building at this level.
- (ii) *Inclusion of cooperative development aspects into relevant development projects:* This refers to investment programmes in infrastructure, agriculture and community development that should be combined with the cooperative organization of beneficiaries, so as to ensure the productive use and proper maintenance of these investments. It also refers to projects that strengthen the informal sector and micro-enterprises; by organizing independent entrepreneurs into cooperatives, one can stabilize their precarious self-employment situation, create additional jobs and build a bridge to the formal sector. Micro-entrepreneurs can establish cooperative networks that produce economies of scale without affecting the independence of their members.
- (iii) *Promotion of worker-owned cooperatives, social cooperatives and financial cooperatives:* Worker-owned cooperatives, which have received very little support until now, have a high potential to create *additional* employment in industry, transport, services and other sectors with relatively small investment; they can also participate in the privatization of public enterprises through workers takeovers. Worker-owned cooperatives can be successful when they have access to appropriate technical assistance and financial institutions. Social cooperatives, which are almost unknown on the African continent, can create self-employment opportunities for social

workers (in the broad sense) and provide those who are not covered by formal social security schemes with a minimum of social protection. Financial cooperatives have proven their efficiency in mobilizing large amounts of savings and in administering cost-effective credit schemes.

Cooperative action has become even more important in the context of structural adjustment that has, in many countries, adversely affected the rural and urban poor. Cooperatives are not a miracle solution to unemployment and other problems, but they are a development option that must not be neglected.

1. Situation analysis

1.1. Cooperatives in Africa

A cooperative society is *an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate*². This definition covers also groups and associations that are less “formal” than registered cooperatives, provided these groups are based on democratic principles and pursue an economic goal. On the other hand, the definition draws a clear line between cooperatives and capital-based enterprises, community-based organizations and NGOs (although cooperatives and NGOs share certain common characteristics).

In all African countries, we come across traditional forms of cooperation which have survived the impact of colonialism and the structural changes which accompanied the so-called modern society. Such traditional self-help groups may be classified into two main categories: work groups whose members help each other in rotation or jointly carry out farming, construction and communal works, and rotating savings and credit associations whose members make regular contributions to a revolving loan fund. Such groups can be found in every country of sub-saharan Africa, and still play a very important role.

"Modern" cooperatives, i.e. those falling under the definition given above, have been introduced in Africa by colonial governments to increase cash crop production and to control (and tax) economic activity in rural areas, but also to protect farmers against exploitation from money-lenders and traders.

In the former British colonies, cooperatives were created in the 1930s according to the British-Indian pattern of cooperation and accompanied by a special cooperative act and the establishment of an implementing agency, i.e. the Registrar of Cooperatives. Later, the colonial administration undertook systematic efforts to develop cooperatives into powerful business ventures that, through a vertical structure, controlled much of agricultural production, marketing and processing in rural areas.

The French colonial administration introduced so-called "Sociétés Indigènes de Prévoyance" in the early 1920s. These SIPs were parastatal organizations used as instruments for rural development. In 1955, the administration introduced a special act for "state-sponsored" cooperatives and established cooperative supervising authorities

²ILO Recommendation on Cooperative Development in Developing Countries (1966, No. 127)

which, however, did not undertake cooperative development activities. Although the SIPs changed their names several times, they remained parastatal structures that gained little economic importance.

The situation was largely identical in the former Belgian possessions in Africa. In Lusophone Africa, the colonial administration did not promote cooperatives at all, at least not among the indigenous population.

After independence, most governments of sub-saharan Africa laid much emphasis on cooperative development in the agricultural sector; although based on different approaches which are outlined in paragraph 2.1, the governmental cooperative promotion efforts had often the same result: an inefficient, state-controlled cooperative movement that did not meet member needs, but became a heavy burden on the state budget. Genuine cooperatives could develop only outside the agricultural sector, where many of them achieved remarkable progress.

The state-controlled “cooperatives” were severely affected by the structural adjustment programmes that many African states adopted in the mid-1980s, and by the democratic reforms carried out in the early 1990s. The “para-statal” cooperatives lost protection and support, while their members became more aware about their democratic rights. This resulted in a sharp decline in the number and turnover of “para-statal” cooperatives and the emergence of a multitude of grass-roots initiatives. Many African govern-

The French Versus the British Cooperative Model

The French “*sociétés indigènes de prévoyance*”:

- ▶ were centrally organized and of semi-public status, and did not observe cooperative principles;
- ▶ had to serve primarily national economic development goals;
- ▶ were administered by colonial officers;
- ▶ required compulsory membership, but not the active participation of cooperators.

In general, cooperatives under British colonial rule with the Indian pattern of cooperative development, had more autonomy and were more member-orientated. At least theoretically, the assistance provided by the colonial government was planned:

- ▶ to be of temporary nature for an initial period of guidance and supervision;
- ▶ to encourage the development of self-reliant, economically viable cooperatives;
- ▶ to prepare for the creation of cooperative apex organizations that could partly replace the “Registrar”

ments adopted cooperative reform programmes (see paragraph 2.3) to create a “favourable climate” for such initiatives. Today, we witness the development of a *third generation* of cooperatives in Africa, after those introduced by colonial powers and those imposed by the state.

No recent, complete statistics on the cooperative movements of Africa are available. The following table is based on data collected by the ILO in 30 countries between 1989 and 1996.

Data on Cooperatives in 30 African Countries (members in million)							
Agriculture		Consumers		Savings & Credit		Others	
Societies	Members	Societies	Members	Societies	Members	Societies	Members
41,352	13.9	19,838	7.1	5,324	2.7	9,834	3.3

(Source: internal ILO mission reports)

The average “cooperative density” in the 30 countries, expressed as the percentage of cooperative members in the total population, amounts to 7%. As there is usually only one cooperative member per household, and assuming an average household size of six persons, the “cooperative density” exceeds 40% of the total population. The cooperative movements of Africa are therefore, despite their shortcomings and weaknesses, an important element in the societies and national economies of their respective countries.

1.2. The Employment Creation Potential of Cooperatives

It is important to underline that most cooperatives are *not* instruments of employment promotion, but enterprises that give their members economic services. This notwithstanding, “cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own the tasks of creating productive employment, overcoming poverty and achieving

It is not claimed that the creation and maintenance of cooperative business enterprises is the only solution to unemployment. Not all cooperatives succeed as business enterprises. Not all are productive and capable of withstanding changing market conditions. Nevertheless, there is convincing evidence (..) that for many millions of persons cooperatives have meant employment instead of unemployment, acceptable working conditions instead of exploitation, security instead of constant threat of dismissal.

An ICA Statement of 1994

social integration”³. The present report will demonstrate that cooperatives can effectively create and maintain self-employment in both the rural and urban areas of Africa.

1.2.1 By Type of Employment

Theoretically, cooperatives can create employment in five different ways:

- (a) *Cooperatives as a common workplace*: this is the case when cooperative members work together in a joint production unit. In other words, members have formed the cooperative society primarily as a form of "organized self-employment". Typical examples are collective agricultural cooperatives and small industrial cooperatives. In 1993, the International Organization of Industrial, Artisanal and Service Producers' Cooperatives (CICOPA) estimated that there were a little more than 100 million members of such cooperatives in all parts of the world.
- (b) *Cooperatives as employers*: the case of client-owned cooperatives⁴ which employ salaried staff who are *not* necessarily cooperative members. An example is a consumer cooperative that employs storekeepers, cashiers and shop attendants. Such employment effects are often enhanced through diversification, i.e. when cooperatives diversify into activities outside their core business.
- (c) *Cooperatives promoting or enabling self-employment*: this is the case when client-owned cooperatives strengthen the businesses or households of their members. A typical example is an agricultural marketing and supply cooperative that provides independent cash crop farmers with essential pre- and post production services.

Examples of Wage Employment in Service Cooperatives	
Country	Employees
Germany ('89, all sectors)	250,000
Switzerland ('91, all sectors)	160,000
Japan ('91, agriculture)	298,000
China ('96, supply & market.)	5,800,000
European Union ('89, agric.)	720,000
USA ('94, 100 largest coops)	750,000

(Source: ICA)

³Report N° A/49/213 of 01 July 1994 of the Secretary-General to the General Assembly of the United Nations

⁴In a client-owned cooperative, members run individual enterprises and/or households and use the jointly owned cooperative society to obtain goods and services that are necessary for their production unit or household. In a workers' cooperative, the individual members are both workers and employers of the jointly owned cooperative enterprise.

This refers, for example, to the 13.9 million members of agricultural cooperatives in those 30 African countries for which statistics are available (see table above).

- (d) *Cooperatives inducing wage employment*: jobs are created because of the very existence of cooperatives; this includes governmental cooperative departments, cooperative training institutions and cooperative audit companies.

Induced Employment in Selected African Countries (1995)															
Item	CVI	ETH	GAM	KEN	LES	MAG	MAL	MOR	NAM	RSA	SWA	URT	UGA	ZAM	ZIM
Personnel in Coop Dpt.	87	2,042	38	1,648	85	386	602	148	11	90	33	832	283	655	2,152
Cooperatives per Officer	2.1	2.1	?	3.8	3.0	0.8	6.0	33.7	8.3	6.6	5.4	5.2	21.0	4.4	1.1
Personnel in Coop College	n.a.	?	3	120	36	n.a.	n.a.	n.a.	n.a.	n.a.	38	400	20	79	n.a.

Source: Data compiled by ILO COOP Branch

- (e) *Spill over effects*: just as any other business, a cooperative creates jobs in those enterprises with which it maintains commercial relations. A housing cooperative, for example, is likely to create jobs in the building material industry.

Few surveys on the number of jobs created by cooperatives in Africa have been carried out. The following table is based on data collected by the ILO from various sources; it does not include the option (c) above, because this would simply mean to count all the members of client-owned cooperatives, nor option (e), because the spillover effects are impossible to quantify:

Jobs created by cooperatives in selected African countries					
Country	Year	Source	Direct self-employment (a)	Wage employment (b)	Induced employment (d)
Botswana	1991	G'vt	177	1,097	170
Cameroon	1987	GTZ	500	2,242	695
Cape Verde	1995	ICA	209	306	87
Gambia	1996	G'vt	6	168	41
Ethiopia	1993	ILO	60,486	30,067	1,080
Ghana	1996	G'vt	91,035	3,235	751
Madagascar	1996	G'vt	300	6,770	386
Mauritius	1994	G'vt	1,110	101	180
Morocco	1996	G'vt	27,792	42,709	148

Jobs created by cooperatives in selected African countries					
Country	Year	Source	Direct self-employment (a)	Wage employment (b)	Induced employment (d)
Namibia	1996	G'vt	315	2,045	31
South Africa	1997	G'vt	220,713	58,468	90
Togo (only credit unions)	1996	FUCEC	n.a.	230	n.a.
Uganda	1996	UCA	32,168	8,455	303
Zambia	1996	G'vt	9,500	2,253	732
Zimbabwe	1996	ZNCF	23,424	494	1,243
Total			467,735	158,640	5,937

At one stage, the cooperative movements of several African nations had become the second largest employer of their countries after the government. However, this was largely a result of cooperatives being parastatals that enjoyed monopolies, subsidies and all sorts of privileges. This, and widespread phenomena such as inefficient management, lack of internal control and nepotism, led to overstaffing which was detrimental to the interests of cooperative members.

Not all of the above employment creation options are specific to cooperatives. In the context of this report, it is important to identify those areas in which cooperatives have a comparative advantage over other types of enterprises or the public sector in the field of job creation.

The Comparative Advantages of Cooperatives in the Field of Employment Creation and Stabilization

- *Economies of scale*: through the cooperative organization, independent entrepreneurs, rural and urban households and workers in the informal sector can carry out joint purchasing and marketing operations and thus realize economies of scale.
- *Economies of scope*: this refers to the fact that joint production facilitates division of labour and specialization and therefore enhances productivity.
- *Increased bargaining power*: the cooperative society combines the offer and demand of its members and thus increases their bargaining power.

- *Member participation and motivation*: the active participation of members in the management of the cooperative is likely to reduce costs and thus to enhance cost-effectiveness, and to facilitate capital mobilization.
- *Membership value* (as compared to shareholder value): the overriding objective of any cooperative is to provide services to members, not to remunerate capital. A cooperative thus aims at preserving the self-employment of its members. The production process in a cooperative is therefore generally more labour intensive than in capital-based companies.
- *Representation of interests*: through the (officially registered) cooperative society, members can much better defend their interests than individually, in particular when the cooperative is part of a vertical structure.
- *Stability*: Because of risk sharing between members, cooperative societies are generally more stable than individual enterprises.
- *Innovation*: one important reason for members to join a cooperative is to learn from others in order to innovate jointly.
- *Legal protection*: by joining a cooperative, small scale producers obtain legal protection and limited economic liability.

Cooperatives may exploit these comparative advantages in two different ways:

- *Worker-owned cooperatives* formed as joint production units by persons who would not succeed economically as individuals, most often because of the lack of capital or expertise. This includes four sub-options:
 - (i) the traditional workers' cooperative in industry and agriculture with a joint production unit and no distinction between management and staff;
 - (ii) the labour-contracting cooperative whose members offer joint services on a contract basis, most often in the fields of public works, construction and forestry.
 - (iii) the cooperative network of individual entrepreneurs or micro-enterprises through which certain economic functions are organized. Examples are the net control stations operated jointly by independent taxi drivers and organized as a cooperative; such cooperative enterprise networks are the "bottom-up" alternative to the franchise system;

- (iv) the employment stock ownership programmes through which employees become co-owners of their enterprise and are thus taking part in management decisions and share the risks and profits of the enterprise.
- *Client-owned cooperatives* formed as pre- and post production service centres by individual farmers, traders, craftsmen etc. in geographical regions or economic sectors in which neither the private sector nor the state is active. An example are small scale coffee farmers producing in a remote area of a country that is not covered by marketing boards or private traders.

1.2.2 By Economic Sector

Both client-owned and worker-owned cooperatives may operate in any conceivable economic sector. In Africa, the most prominent sectors where cooperatives are active are, by order of importance, (i) agricultural marketing & supply, (ii) savings & credit, (iii) handicrafts & small industry (iv) consumers, (v) housing and (vi) services and transport.

These different types are explained in detail in chapter 5. The following table gives an overview of the *cooperative-specific* employment creation potential of the various types. The table focuses on self-employment only, because the specific wage employment creation potential of cooperatives is the same for all types: they can create a limited number of jobs in places and economic sectors that are not profitable enough for capital-based enterprises.

Cooperative-specific Employment Creation Potential		
Type	Direct self-employment (Worker-owned)	Indirect self-employment (Client-owned)
Sector		
Agricultural Services	Collective agricultural cooperatives appear to succeed only when formed by war-affected communities (ex soldiers, refugees, displaced people, disabled)	Agricultural service cooperatives enable farmers in remote areas to become or remain self-employed by providing adequate supply & marketing services.
Savings and Credit	Not applicable.	Provide the financial basis for self-employment by (i) enabling people to accumulate capital, (ii) granting productive loans at affordable conditions and (iii) establishing a central finance facility for larger investments
Handicrafts and Industry	Can create a significant number of jobs through pooling capital, labour and expertise of individuals who produce in jointly owned premises. Some cooperatives employ trainees or apprentices.	Provide the organizational framework that enables individual craftsmen and artisans to produce and market according to market requirements.

Cooperative-specific Employment Creation Potential		
Type	Direct self-employment (Worker-owned)	Indirect self-employment (Client-owned)
Sector		
Housing	Only in case of workers' cooperatives formed by construction workers	None.
Services, trade and transport	May create a large number of jobs when organized as joint labour-contracting or service-providing cooperatives	Provide the organizational framework enabling independent service providers, traders and transporters to enhance productivity and cost-effectiveness through inter-enterprise cooperation.

2. Promotion Policies

2.1. Cooperative Development Policies After Independence

After independence, the governments of sub-saharan Africa have adopted different strategies regarding cooperative development:

- the policy of *cooperativization* that was pursued in many (formerly) socialist countries such as Madagascar, Ethiopia, the Sudan, Tanzania, Zambia and Mozambique; in these countries, cooperatives were seen as mass organizations of the ruling party and as instruments to collectivize the ownership of production factors. This policy failed wherever it was applied, and was abandoned in the early 1990s.
- the policy of *incorporation* that was applied in many French speaking countries, but also in several Eastern and Southern African countries; this policy consisted of using cooperatives as a means to control the production and marketing of vital cash crops. Cooperatives were given supply and marketing monopolies and various privileges and grants, but were made subject to stringent government supervision and control, and consequently lost their autonomy.
- the policy of *indifference* applied in Zaire, Gabon, Central African Republic and others. In these countries, governments did not take any special measures to promote cooperatives, nor did they obstruct their development.
- the policy of *oppression* pursued in Malawi and Namibia (when it was under South African occupation) whose governments considered cooperatives as a threat to one-party rule (Malawi) or to white supremacy (Namibia).

Because of structural adjustment and democratic reforms, most countries have now adopted a liberal approach to cooperative development.

Almost every African government has considered cooperatives primarily as instruments for organizing, mobilizing and supervising the *rural* population. Consequently, the policies outlined above were mainly directed towards agricultural cooperatives⁵. Other types of cooperatives (manufacturing, services, housing, savings and credit, consumers etc.) were largely neglected and operated outside the government's sphere of interest.

⁵With the exception of some countries (Sudan, Ethiopia, Angola, Mozambique) which strongly supported consumer cooperatives as a channel for subsidized "ration commodities". The same happened in Tanzania during the high noon of "Ujamaa" (1976 - 1994), when consumer cooperatives were imposed as market outlets for scarce commodities.

As the rural population consists mainly of self-employed people, employment generation was seldom a top priority of cooperative promotion in Africa.

2.2. Structural Adjustment, Democratization and Policy Change

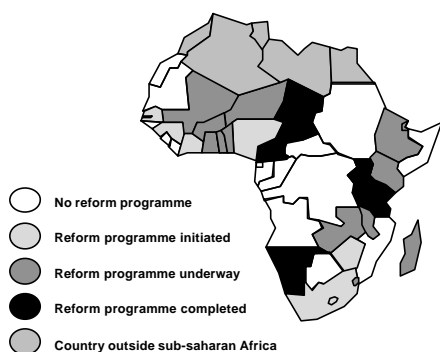
The impact of structural adjustment programmes (SAP) on cooperatives is generally negative in the immediate perspective, but positive in the long term:

- SAPs seriously threaten existing, government-controlled cooperative structures and their support institutions; many of these structures will disappear, leaving behind a vacuum that cannot be filled immediately by the private sectors or new cooperative organizations. Marketing and supply systems will be temporarily disorganized. A large number of employees in the cooperative movement, in the governmental cooperative departments and in cooperative support institutions will lose their jobs⁶.

Successful cooperative adjustment

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

Cooperative Reform Programmes in Africa



- On the other hand, new, more genuine cooperatives will emerge, partly to replace the old structures and partly to occupy new grounds. Cooperative values and the cooperative spirit will

⁶In Zambia, for example, wage employment in the cooperative sector declined from 7700 to 2253 since the economic reform programme started in the late 1980s.

become more important than ideologies. Member orientation and management efficiency will replace submission to authorities as guiding principles of cooperative leaders.

Cooperative action will enable people to organize the economic and social services they need, thus relieving the burden of the state and contributing to the success of structural adjustment; it will make people more aware of their freedom and responsibility to determine and control their own destiny, thus making democratization irreversible; and it will strengthen popular participation and decentralized decision-making so as to put national development on a broader base.

However, cooperatives need a *conducive environment* before they can play this beneficial role. Such an environment requires:

- A new cooperative development policy that defines the relation between the state and the cooperative movement in a way that respects the principle of cooperative autonomy;
- A new cooperative legislation that translates this policy into legal rights and obligations and guarantees the autonomy of cooperatives;
- A cooperative administration that confines itself to regulatory functions;
- The establishment or strengthening of the vertical structure of cooperatives.
- A system of cooperative support services (mainly education and training, business advisory services and external audit) that is largely managed and financed by the cooperative movement itself.

As shown in the map, many African governments have already embarked upon comprehensive cooperative reform programmes and thus provided the basis for a genuine cooperative movement in their country.

2.3. Donor Policies

During the period 1960 to 1985, many multilateral and bilateral donors have granted substantial technical and financial assistance to cooperative development in Africa, especially in the agricultural sector and, to a lesser extent, in the financial sector. Most of these projects were pursued with the following objectives:

- *cooperatives as agents of change*: cooperatives were seen as a way to protect farmers from the exploitation of "capitalist" intermediaries and to build a socialist society. Under this approach, cooperative development became an end in itself and led to the formation of state-controlled cooperative structures.

- *cooperatives as instruments to boost production*: cooperatives were seen as conveyor belts between rural development projects and individual farmers; they were used to distribute inputs, provide extension services, administer rural credit schemes etc. Under this approach, cooperatives were established to suit the needs of the project, not the needs of the farmers.

Both approaches have largely failed, and this has caused the widespread opinion among donors that “cooperatives do not work in Africa”. Yet, a more thorough analysis would have revealed that the projects failed because cooperatives cannot be developed from outside, but must evolve from within a community that has a common bond and a common goal.

After a period of disillusion, many donors have rediscovered cooperatives as an irreplaceable tool to organize rural and urban producers. Most projects dealing with agriculture, the informal sector or SME development include an element of cooperative organization, although it has become fashionable to replace the term “cooperative” with “farmers’ group”, “producers’ association” or a similar “neutral” term. Moreover, many donors have realized the importance of the aforementioned “conducive environment”, and are offering assistance in revising cooperative policies and laws, or make such revisions a prerequisite for development aid.

2.4. Cooperative Development and Employment Promotion

Both governments and donors have promoted cooperatives primarily to improve the living conditions of the rural population through increased production; in other words, they aimed at improving the *quality of self-employment in rural areas*, but not at increasing the *number of jobs* or self-employment opportunities. The employment creation potential of cooperatives has been generally neglected, and cooperatives were seldom considered in employment promotion policies (including those prepared with ILO assistance). The reason for this may be that many governments did not recognize cooperatives as enterprises, but as some form of social or political organization. Moreover, governmental cooperative departments are usually placed under the ministry responsible for agriculture or rural development which, as technical ministries, are not primarily concerned with employment promotion.

3. Institutions, Structures and Support Services

3.1. Legal Framework

The need of promulgating a specific cooperative act has sometimes been questioned. The ILO is in favour of adopting such acts, because they recognize the special nature of cooperative societies, improve the legal protection of cooperative members, and facilitate transactions between cooperatives and third parties.

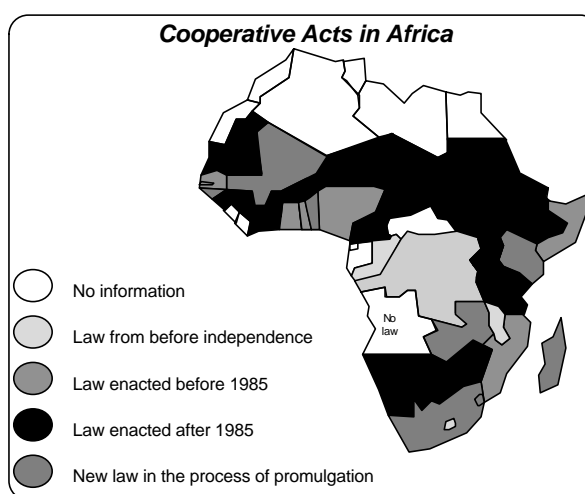
Most African countries have adopted a single cooperative act for all types of cooperatives. At independence, these laws were largely inspired by, if not copied from, “model laws” introduced by the colonial powers. Although subsequent revisions gave a more national character to the cooperative legislation of each country, the influence of the colonial laws can still be felt.

Several former socialist countries, however, have promulgated separate laws for different cooperative sectors.

Despite the change of the political system, these laws remain in force in countries such as Ethiopia and Mozambique. Several West African countries have recently adopted specific laws on savings and credit cooperatives that, because of their nature, need special provisions and supervisory mechanisms.

Until the mid-1980s, a common feature of cooperative legislation of most African countries was the strengthening of the state’s and/or the ruling party’s supervisory and regulatory functions. Each revision of the cooperative act further restricted the autonomy of cooperative societies and curbed the rights of their members to a degree that cooperatives became simply parastatal organizations. This trend was reversed in the mid-1980s, largely as a result of structural adjustment and democratic reforms. The cooperative acts adopted after 1985 are therefore generally more liberal and politically neutral.

The cooperative act is, of course, not the only piece of legislation that affects cooperatives. Equally important are regulations governing agricultural marketing, competition, taxation etc. A liberal cooperative act does not change much if, for example, cooperatives retain the monopoly of cash crop marketing, so that farmers are *de facto* obliged to become members. A law removing the marketing monopoly from



cooperatives can be quite unfair if the same law obliges cooperatives to act as “buyers of last resort”⁷.

This notwithstanding, we can state that the legal framework for cooperatives in Africa has considerably improved over the last ten years, and that many current national laws provide a good basis for genuine cooperatives.

3.2. Governmental Cooperative Departments

Most African governments have set up a single cooperative department that was usually placed under the Ministry of Agriculture and responsible for all types of cooperatives. Some countries, such as Kenya, have established a fully fledged Ministry of Cooperative Development. Those countries that had adopted sectoral cooperative laws have also shared the responsibility for cooperatives among different ministries and parastatals. Cooperative departments, which are usually decentralized in the same way as their parent ministry, are responsible for statutory functions such as registration, supervision and liquidation of cooperatives. In many countries, however, they were in addition responsible for promotional activities and the provision of support services such as training, management advice and external audit.

Following the enactment of more restrictive cooperative laws, the cooperative departments gained ever more power and became responsible for almost every aspect of cooperative management. Decisions concerning loans, investments, the appointment of senior staff, the holding of elections etc. had to be cleared by the Registrar or Commissioner of Cooperatives. In addition, cooperatives became subject to interference from other agencies (marketing boards, development banks, local authorities) and the ruling party, so that their elected Boards of Directors were left with little decision-making powers. As a result, the efficiency of cooperatives (in terms of services rendered to members and competitiveness) declined, while the costs of the cooperative promotion and supervision machinery grew out of proportion.

Staff of Cooperative Departments before and after Reforms		
Country	Before	After
Cameroon	650	100
Kenya	880	56
Tanzania	1,700	832
Uganda	1,180	283

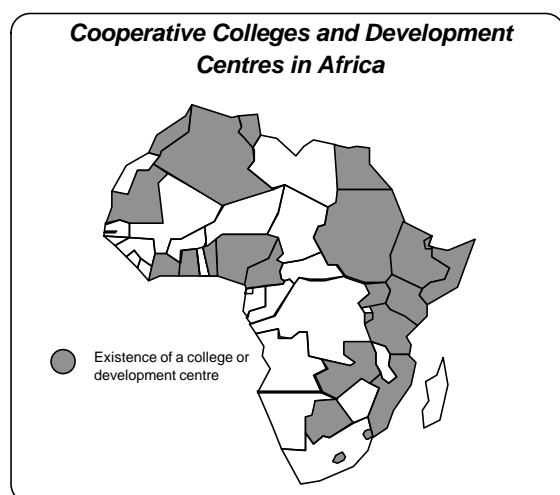
(Source: data collected by ILO)

In the context of structural adjustment, governments had to review their cooperative development policies and to redefine the role of cooperative departments. Cooperative Acts adopted after 1985 (see above) generally confine these departments to

⁷This happened, for example, in Zambia, where cooperatives lost their maize marketing monopoly, but remained under the obligation to buy maize from any farmer and in any region.

the aforementioned statutory powers and leave promotional, technical and managerial functions to the cooperative movement itself or to non-governmental organizations. Consequently, the workforce of many cooperative departments has considerably shrunk, and is likely to decline further.

3.3. Specialized Support Service Institutions



After independence, many African nations have established specialized cooperative colleges or cooperative development centres⁸. Such colleges offer long-term training courses for the personnel of cooperative societies and of cooperative departments, as well as medium and short-term courses for elected cooperative leaders. Some colleges have developed additional activities such as general membership education, distance learning programmes, training material production, consultancy services and research. Most cooperative colleges in Africa have

received substantial, long-standing donor support and are still largely subsidized by the state. It had been the ultimate goal of governments and donors to hand over the colleges to the cooperative movements themselves, but this failed due to lack of financial resources within the movements and lack of motivation. In the context of structural adjustment programmes, the budget allocations to cooperative training institutions are being cut drastically, and several of them are facing severe financial problems. In addition, the colleges must adapt their curricula to the new environment, which requires additional resources. The colleges have developed a variety of strategies to cope with the situation, and it appears that some of them will become financially self-reliant and thus survive as independent institutions.

Data on Cooperative Colleges in Seven African Countries							
	BEN	LES	KEN	SWA	TAN	UGA	ZAM
Teachers	5	6	26	8	70	14	6
Other Professionals	34	7	8	0	60	0	3
Support Staff	20	23	86	30	320	6	79

⁸Cooperative Development Centres are supposed to provide a broader range of support services than training and education; in reality, however, most "CODECs" function as training institutions.

Data on Cooperative Colleges in Seven African Countries							
	BEN	LES	KEN	SWA	TAN	UGA	ZAM
Annual Budget (in '000 US-\$)	375	388	548	570	?	128	176
Resident Students	57	28	240	25	500	120	450
... from Cooperatives	10%	90%	75%	95%	16%	45%	87%
... from Government	90%	10%	25%	5%	84%	55%	13%
Students per teacher	11.4	4.7	9.2	3.1	7.1	8.6	75.0
Budget allocation per student	6,579	13,857	2,283	22,800	?	1,067	391

(Source: data compiled by ILO COOP in 1995 and 1996)

Other technical support services, i.e. management advice and external audit, used to be provided by cooperative departments. Due to financial constraints, and due to the low quality and lack of timeliness of these services, they are now being privatized in many countries. Today's general view is that the cooperative movement of a country should generate enough resources to finance its own technical support services. In this context, we should mention that the credit unions of many African countries are already organizing and financing technical support services through their national "leagues". They could serve as an example for other types of cooperatives.

Financial support to cooperatives, which has sharply declined during the last decade, was given in various forms:

- Direct cash contributions from governments and donors;
- Indirect subsidies through secondment of staff, preferential hard currency allocations, subsidized interest rates and tax exemptions;
- Hidden subsidies through excessive marketing margins that were guaranteed by marketing boards⁹.

3.4. Non-governmental Promotion Organizations

The Cooperative Centres of Denmark, Finland and Sweden, the Rabobank Foundation of the Netherlands, DESWOS Germany, SDID Canada, WSM Belgium, NCBA USA, the World Council of Credit Unions (WOCCU) and others are specialized cooperative development NGOs formed by the cooperative movements of industrialized countries; they are particularly active in Africa where they apply the "movement-to-movement" approach which consists of transferring expertise and techniques from one cooperative movement to another. This approach has been more successful in the development of

⁹However, the opposite happened, too. In some countries, cooperatives were obliged to pay producer prices that were higher than what the marketing board would pay after processing.

credit unions and self-help housing schemes than in the field of agricultural marketing and supply cooperatives, which is largely due to the “para-statal” character these cooperatives used to have (see above).

The great majority of the thousands of local, national and international NGOs working in Africa are promoting cooperative-type groups and associations as part of their development projects. However,

- Many NGOs lack the expertise to develop appropriate management systems and to train the group leaders accordingly;
- Many NGOs are advocating a particular ideology, religion or development approach and therefore protect “their” groups from contact with groups promoted by competing NGOs. This practice is highly detrimental to the building of a national cooperative movement;
- Many groups are formed because the NGO wants them, not because the members need them.

The situation is better in countries which have developed a clear cooperative development policy which can serve as a guideline for NGOs.

3.5. Credit

Cooperatives need loans for two purposes:

- to finance their own business operations (pre-financing of crop and input purchases, export financing, purchase of physical assets etc.);
- to grant short-term loans to their members.

In many African countries, agricultural cooperatives used to obtain such loans from parastatal development banks at preferential conditions and without collateral. The non-repayment of such loans seldom entailed any sanctions, so that the cooperatives accumulated huge and ever growing arrears¹⁰. This system has stopped in most countries because of the restrictions imposed by structural adjustment programmes. Nowadays, cooperatives must obtain loans from commercial banks at market conditions. The decline of many “state-sponsored” cooperatives is largely due to the stringent loan conditions of such banks.

Agricultural marketing and supply cooperatives were often used as credit channels to small farmers: they were supposed to redistribute loans received from a development

¹⁰One example: in 1990, the combined arrears of Tanzania's district cooperative unions was equivalent to *twice the total agricultural output of the country*.

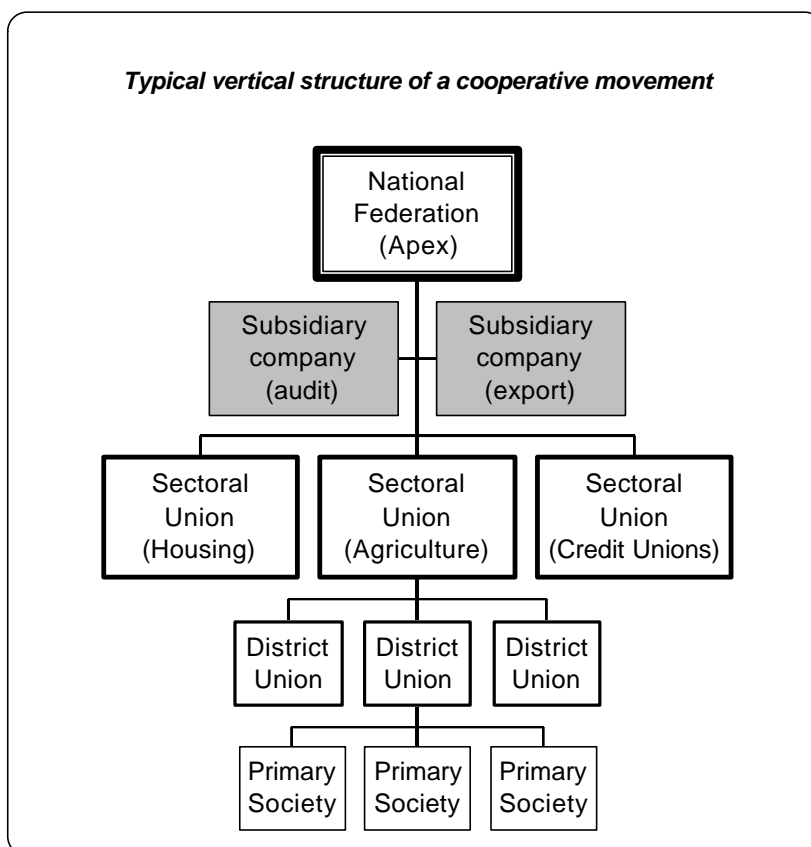
bank to their members and to collect repayments on behalf of the bank. Experience has shown that agricultural cooperatives can hardly cope with this additional function.

A few countries in Eastern and Southern Africa have established specialized cooperative banks that should cater for the particular financial needs of the cooperative movement. However, such banks have been successful only when they opened their doors to the general public and applied strict loan conditions.

In many African countries, savings and credit cooperatives mobilize enough savings to satisfy the credit needs of all other types of cooperatives. However, they prefer investing their excess liquidity in government bonds or other secure financial instruments because cooperatives cannot offer sufficient loan guarantees. A guarantee fund, as it had been successfully tested in Haïti¹¹, could enable credit unions to lend to non-financial cooperatives and thus make the movement financially self-reliant.

3.6. Vertical and Horizontal Integration

A distinct feature of cooperatives as compared to other types of enterprises is their propensity to create vertical structures similar to the one shown in the graph. Such structures exist in most English speaking and a few French speaking countries of Africa, although each country has developed a particular organizational



¹¹In 1986, UNCDF had deposited an amount of 500,000 US-\$ with a commercial bank as a guarantee fund for loans from credit unions to coffee marketing cooperatives; the fund covered 80% of the loan default risk, but did never disburse because repayments were made in time. Similar schemes have been experimented in Rwanda and elsewhere.

setup. Regional unions provide services such as processing and transport to the affiliated primary societies. Sectoral unions at national level provide services such as bulk purchase of fertilizer to regional unions, while the national federation is the movement's mouthpiece and lobby that does not normally provide economic services¹². The objective of the vertical structure is to retain as much value added as possible within the movement. The higher-level structures are owned and controlled by the lower-level structures; in practice, however, cooperative unions and federations may develop a tendency of directing primary societies, in particular when they enjoy marketing and supply monopolies. This aside, secondary cooperative organizations consolidate the benefits of primary societies (bargaining power, economies of scale etc.) at a higher level and are indispensable for the development of the movement.

Horizontal integration refers to the collaboration among different types of cooperatives and aims at retaining financial and physical transactions in the movement. This is the case when, for example, agricultural cooperatives use the services of transport cooperatives, or when credit unions lend money to other types of cooperatives. This type of collaboration is not yet very developed in Africa.

Vertical and horizontal integration is the cooperative equivalent to trust building by capital-oriented enterprises. A cooperative seeks collaboration with others, whereas a shareholder company would opt for a takeover.

3.7. Governance and Participation

Genuine cooperatives are democratic institutions that have a high potential of mobilizing people to participate in national affairs and of ensuring good governance at all levels. By applying democratic principles at grassroots level, they can prepare the people for local and general elections; by organizing those whose voices remain usually unheard, they can influence national policies towards the poor; and by creating vertical structures, they can participate in national decision-making. There are many examples where this actually happened.

Unfortunately, many cooperatives in Africa are not (or were not until recently) "genuine", because they served the state, a political party or individuals instead of their members. When the state "incorporates" cooperatives, they can become instruments of oppression instead of participation. An example are the (now dissolved) peasant associations of Ethiopia which forced farmers into collective production against their will.

¹²In some countries, namely Uganda, the Sudan and Zambia, the national federation has established subsidiary companies which are not cooperatives themselves, but belong to the movement and provide specialized services to its members.

The democratization process that is ongoing in many African countries has been highly beneficial to cooperatives; yet, it has brought new risks, too. It has been reported from several countries that political parties are trying to “incorporate” cooperatives in order to broaden their electoral base.

4. Tripartism, Labour Standards and Social Partners

4.1. Labour Standards and Cooperatives

The Recommendation concerning the role of cooperatives in the economic and social development of developing countries (1966) is the only ILO standard that deals specifically with cooperatives. Although 30 years old and subject to change¹³, the Recommendation is still widely used as a reference by cooperative policy and lawmakers in Africa and elsewhere. Together with the principles adopted by the International Cooperative Alliance, Recommendation No. 127 is the only international guideline in the field of cooperative policy and legislation, and the definition of a cooperative given in the Recommendation (see 1.1) has inspired many recent cooperative acts.

The proposed revisions of the Recommendation are aimed at reducing the role of the state and external promoters in cooperative development and simultaneously strengthening the role and participation of members.

Some other international labour standards are of interest to cooperatives:

- (a) Convention No. 87 of 1948 on the freedom of association;
- (b) Convention No. 141 of 1975 and its accompanying Recommendation No. 149 which establishes the right of all rural workers to organize freely;
- (c) A variety of Conventions and Recommendations on occupational safety and health, on social security, and on employment and working conditions that contain specific references to cooperatives and their employees.

Cooperatives are enterprises which must apply labour standards just as any other employer. This is generally the case, although cooperatives in many countries have a reputation of offering less attractive working conditions than comparable enterprises. This is due to the fact that cooperative members, who mostly belong to the poorer strata of the population, are reluctant to grant cooperative employees working conditions that are better than their own.

¹³The ILO meetings of experts on cooperatives held in 1993 and 1995 made detailed proposals for the adaptation of the recommendation in light of the changes in the socio-economic environment of cooperatives .

The statement above is true for client-owned cooperatives. The case of worker-owned cooperatives, whose members are co-owners and co-employees of the joint enterprise, is quite different. Therefore, the members of a worker-owned cooperative may decide to refrain from certain privileges of the labour law in order to stay competitive. In other words, they have the right to exploit themselves to save their jobs. In fact, labour laws and social security regulations are not fully applicable to worker-owned cooperatives whose members do not normally conclude a labour contract with their enterprise.

4.2. Cooperatives and Trade Unions

Cooperatives and trade unions share common values and have a long tradition of working together. Trade unions have played, and continue to play, a significant role in promoting cooperative enterprises among their members. In doing so, they lay emphasis on credit unions, consumer cooperatives and housing cooperatives whose services are of great benefit to workers. The biggest credit unions of Ethiopia and Swaziland have, for example, been initiated by trade unions. In many African countries and elsewhere, trade unions have established consumer cooperatives at enterprise level or for the member of a specific profession. In recent years, trade unions have become active in promoting cooperatives for retrenched workers (see box) and are considering the possibility of promoting the workers takeovers of enterprises that would otherwise go bankrupt.

However, alike many other cooperative promoters, trade unions tend to perpetuate their control over the cooperatives they have helped to establish. Trade union leaders must understand that cooperatives are autonomous economic entities irrespective of their member's possible affiliation to a trade union, or the trade union's promotional role.

The South African National Union of Mineworkers (NUM) is South Africa's largest trade union. It was formed in 1982, and represents 360,000 of the 550,000 black miners in the country, including those from neighboring countries. This union has designed a development strategy for retrenched and retired miners which includes the promotion of cooperatives for the self-employment of ex-miners.

Until 1993, the NUM had promoted thirty cooperatives with ten to twenty members each in Southern Africa. They were active in agriculture, horticulture, brick making, poultry raising, textile, mining and handicrafts. The NUM considers cooperatives as a more advanced element within its overall employment promotion strategy.

(From an ILO mission report of 1993)

Cooperatives Promotion Through Trade Unions - An Example

In several African countries, cooperative apex organizations are actually playing the role of a “trade union of the self-employed”. In Uganda, for example, the apex organization UCA is a member of a government committee that fixes the minimum producer prices for the country’s main export crops. As the UCA represents about 75% of all rural households in Uganda, it has a considerable influence in the committee and thus on the level of farmers’ “salaries” (the producer prices). In Cameroon, elected delegates of cooperative organizations participate in a committee that regulates the marketing conditions for coffee and cocoa. In many countries, cooperative apex organizations had a considerable influence on the revision of cooperative laws that directly affects their members.

4.3. Cooperatives and Employers’ Organizations

Larger cooperatives are employers just as any other enterprise and are therefore entitled to join employers’ organizations (which they have done in several countries such as Kenya and Swaziland). However, the relation between employers’ organizations and cooperatives was strained in many countries due to the fact that cooperatives were looked upon by private entrepreneurs as state-controlled and state-sponsored bodies and thus as unfair competitors. This has changed since cooperatives must now operate in a market economy.

We should mention that many employers are very favourable to the establishment of cooperatives formed by the employees of their enterprises, because they can organize services such as savings and credit facilities, supply of consumer goods or low cost-housing that otherwise the employer would have to provide. In Botswana, for example, a large mining company in Selebi-Phikwe has given office space to a credit union formed by mine workers. Ethiopian Airlines is actively supporting the credit union of its staff members, which has become the biggest in the country. In Swaziland, a large paper pulp factory has provided storage room for a consumer cooperative established by its workers.

The promotion of socially oriented cooperatives is of interest to all tripartite constituents:

- governments support such cooperatives because they may reduce the state’s expenditure on social services;
- workers’ organizations support them because they improve the living conditions of their members;
- employers’ organizations support them because they reduce costs.

5. Experiences, Methods and Tools of Employment Creation Through Cooperatives

5.1. Client-owned Cooperatives

5.1.1 Agriculture

Agricultural marketing and supply cooperatives (AMS) are, due to historical reasons, by far the most important types of cooperatives in Africa (and in most other regions of the world¹⁴). AMS provide farmers with agricultural inputs and sell their crops to local whole-sellers, marketing boards or overseas customers. Many AMS own processing facilities and offer additional services such as extension, consumer goods distribution and financial intermediation.

In theory, an AMS is established *by* farmers who want to buy inputs in bulk (and those at lower prices) and jointly sell their crops in order to increase their bargaining power. In Africa, however, most AMS were set up *for* farmers by the colonial administration (see above) and later by government. In many countries, the AMS obtained supply and marketing monopolies, so that farmers were *de facto* obliged to become members. As monopolistic traders that were strongly protected and heavily subsidized by the state, such cooperatives degenerated into parastatal agencies. In several African countries, the AMS and their regional unions became the country's second largest employer after the government - but such employment was largely due to overstaffing and financed indirectly by farmers. "State-controlled" AMS have disappeared in most countries, and the number of jobs created by such AMS has sharply declined.

Yet, there is no doubt that *genuine* AMS can play a valuable role in *creating or stabilizing self-employment in rural areas*, in particular where no other marketing and supply opportunities exist: in *Burundi*, cooperatives organized the collection of milk that was processed by a parastatal. In *Zaire*, a group of farmers specialized in the production of strawberries which they sold through their cooperative to supermarkets in Kinshasa. In *Kenya*, small scale cut flower growers established a cooperative to sell their produce to private exporters based in Nairobi. In all three cases, the cooperative was the only available marketing instrument and thus created self-employment.

¹⁴A recent ICA survey in 23 European countries estimates the number of agricultural cooperatives at 53,000 with 19,3 million members and an annual turnover of 216 billion US-\$.

Larger AMS usually employ permanent and seasonal workers¹⁵; they are sometimes the only providers of wage employment in rural areas. A prominent example are the thousands of cotton marketing groups that exist in all cotton growing regions of West and Central Africa. Although these groups have been introduced by ginneries¹⁶, they are fully member-controlled and can be considered as genuine cooperatives. Each group employs at least one seasonal administrative clerk who is usually recruited from among the village youth.

AMS involved in cash crop marketing have a considerable spill over effect that stimulates the local economy and thus creates additional employment. For example, during the harvesting season, the coffee and cotton growing regions of Africa are visited by hundreds of nomadic traders who sell consumer goods to rural households.

Genuine agricultural service cooperatives can protect farmers' interests in a market economy and thus maintain self-employment or improve self-employment conditions. In fact, economic liberalization can work only when markets are competitive and transparent. Without effective, voluntary rural organizations, farmers will be exploited by intermediaries; they may abandon cash crop production and return to subsistence agriculture. The promotion of rural organizations should therefore be a key element of economic reform programmes in Africa. However,

expecting that farmers organize themselves without any assistance is unrealistic. This requires first and foremost the establishment of a favourable legal and institutional

About 20,000 small scale farmers in Burkina Faso are cultivating green beans that are sold almost exclusively on overseas markets. Green bean production is very labour intensive (one million work-days for harvesting alone), but does not require expensive inputs and does not affect food crop production. Production techniques are relatively simple, but export marketing requires highly specialized skills. The ILO INTERCOOP programme has therefore helped a cooperative union of Burkina Faso to explore markets, to link up with European importers and to fulfill contractual obligations. Today, the union is able to export without external assistance, thus guaranteeing its member a stable income.

Burkina Faso exports Green Beans

¹⁵In this context, we refer to "genuine" AMS, not the "parastatal" AMS that create jobs through overstaffing.

¹⁶Most of these ginneries are joint ventures between the respective government and the French CFDT which considers cotton collection through cooperatives as the most profitable marketing system.

environment as outlined above, and secondly the provision of adequate technical support services to groups and cooperatives.

Another way in which agricultural cooperatives can help creating employment is through the joint use of public investments. This can be illustrated by the cooperatives formed by the settlers on reclaimed land in Egypt. Since 1950, the Egyptian government has reclaimed two million acres of new land along the river Nile valley. Cooperatives play an integral part of the land reclamation and settlement programme. There are now some 240 cooperatives with a membership of 140,000 farmers cultivating about 700,000 feddans of reclaimed land and one million feddans of land under perennial irrigation. Displaced, landless and unemployed people receive reclaimed land on a priority basis. Their cooperatives provide a broad range of services such as input supply, crop marketing and joint use of machines, and promote agro-based and handicraft services. An ILO/DANIDA project has been providing technical assistance to settlers' cooperatives in fifteen zones since 1984; in its current, third phase, the project focuses on graduate settlers and women activities, and has become involved in agricultural extension, agro-processing and loan administration. The project has been successful in building local and national capacity in cooperative management and agricultural extension, and has thus contributed to the creation and stabilization of thousands of jobs.

The El-Tura'a Al-Khadra cooperative in the White Nile Province of the Sudan was formed in 1993 by the 614 beneficiaries of an irrigation scheme financed by UNCDF and several bilateral donors, and received initial technical assistance from UNDP and ILO. Thanks to the irrigation scheme, the 614 families have reached self-sufficiency and earned a net income of 21,000 Sudanese pounds (in 1993). In addition, livestock herds were growing, so that a nearby cheese factory resumed production. The income of the cooperative was sufficient to finance the operation and maintenance of the irrigation scheme.

An Irrigation Cooperative in the Sudan

An ILO/DANIDA project has been providing technical assistance to settlers' cooperatives in fifteen zones since 1984; in its current, third phase, the project focuses on graduate settlers and women activities, and has become involved in agricultural extension, agro-processing and loan administration. The project has been successful in building local and national capacity in cooperative management and agricultural extension, and has thus contributed to the creation and stabilization of thousands of jobs.

ILO's regional ACOPAM¹⁷ programme has gained considerable experience and expertise in different types of agricultural cooperatives that have a considerable impact on (self)-employment in the Sahel.

¹⁷Originally, ACOPAM meant "Appui Coopératif aux Activités de développement assistés par le PAM en zone soudano-sahélienne"; the acronym has been maintained, although the programme's mandate has much evolved since its inception in 1978.

ACOPAM has promoted 247 cooperative grain banks that have improved the food security of 86,000 households in three countries. Through this system, farmers could maintain their farms and remain economically independent.

In Burkina Faso, ACOPAM has introduced an innovative system of joint cotton marketing that provides rural villages with additional income paid as a service charge by the cotton ginnery. Much of this additional income is used for community development projects which improve the living conditions in villages. This system has been so successful that today, 80% of the cotton grown in the Sahel is marketed by cooperative groups.

In Mali, Mauritania and Senegal, ACOPAM has initiated in collaboration with the European Development Fund the formation of self-help irrigation groups. A case study carried out in the 16 irrigation groups of the Niger Delta estimates that 600,000 workdays of labour per year are required to cultivate the 1,000 hectares of irrigated land of this scheme. Forty per cent of this labour is done by seasonal workers who receive an estimated 168 million FCFA (336,000 US-\$) in salaries, while the landowners (who carry out the remaining 60% of the labour) earn a net income of 517 million FCFA (1,0034,000 US-\$) per year. Through the cooperative organization of small scale producers, the irrigation investments of the state, donors and the producers are made productive and are maintained by the beneficiaries themselves. In addition, the revenue generated by the irrigation groups stimulates the local economy and creates additional employment in the villages.

A third domain of ACOPAM intervention is called "gestion des terroirs" which

In August 1992, the government of Cameroon passed a new cooperative act that *de facto* dissolved the hitherto existing "para-statal" cooperative structures which were used to control farmers and their production. Simultaneously, the cash crop marketing system was liberalized. Two years later, the farmers in the cocoa growing region of Cameroon had formed over 3,500 "common interest groups" which are presently controlling over 60% of primary cocoa marketing. Due to increased bargaining power, farmers organized in groups obtain a 15% higher producer price than non-organized farmers. As the groups have established quality control systems, the overall quality of Cameroonian cocoa is slowly improving, and as a result of higher producer prices, Cameroon's cocoa production is increasing. Farmers are now receiving 60% of market prices instead of 40% ten years ago, while the state is saving every year almost 40 million US-\$ in unnecessary overhead costs which it used to spent to maintain the former "para-statal" cooperatives structures.

Higher Earnings through cooperation

can be translated approximately as “natural resources management” in a highly endangered environment. In Burkina Faso, ACOPAM has supported the self-organization of 8,000 people who had been displaced due to a dam construction. The settlement area had a high development potential, but agricultural production was severely affected by ecological deterioration. With ACOPAM's help, the village groups drew up a plan for the rational use of national resources and adopted ecologically friendly agricultural production and cattle raising methods and were thus able to prevent the environment from deteriorating further.

The examples above have one element in common: the cooperatives described did not *create* jobs or self-employment opportunities; this was done by the farmers themselves, by the government or by donors. However, cooperatives were indispensable to *secure* the employment opportunities through the joint action of their members. Only through joint action were farmers able to obtain higher producer prices, to maintain investments and to preserve the environment.

5.1.2 Savings and Credit Cooperatives

Savings and credit cooperatives (credit unions) have been particularly successful in Africa, which may be due to the fact that they are nothing but a “formalized” form of the rotating savings and credit associations which are very widespread and popular all over the continent. Introduced in the early 1960s (often by missionaries or specialized agencies), credit unions have developed into powerful financial institutions that provide financial services in regions where private and public banks are absent.

The following statistics have been published by the World Council of Credit Unions (WOCCU)¹⁸

Credit Unions in Africa (million US-\$)					
Year	Credit Unions	Members	Savings	Assets	Loans
1990	20,003	6,214,927	503.0	n.a.	439.3
1991	20,133	5,196,842	524.9	674.6	447.2
1992	20,918	5,700,056	533.6	585.0	443.6
1993	20,403	5,023,423	455.5	486.3	393.5

¹⁸The apparent decline between 1992 and 1993 is due to the fact that, in 1993, several WOCCU member countries did not report their statistics, and the massive devaluations in many African countries.

Credit unions create little *direct* employment¹⁹; in fact, most primary credit unions employ just one cashier, while all managerial and supervisory functions are carried out by elected members. The credit union leagues, i.e. the regional or national federations which play the role of the movement's central bank, employ a limited number of qualified staff who carry out advisory, supervisory and educational functions. Despite this, credit unions have a considerable potential to create employment *indirectly* by providing capital for productive purposes:

- Credit unions do not normally require any loan guarantee besides the security given by other credit union members, and therefore lend money even to people who would not qualify for bank loans. Many small businesses in rural and urban areas have been financed this way.
- It has been observed in many African countries that credit unions in rural areas generate excess liquidity which is transferred to the "central finance facility" of the national league. The league can use these amounts to grant larger investment loans.
- Many credit union organizations have developed special loan programmes with preferential interest rates and repayment schedules for productive investments.

Uganda: Employment Creation through Credit Unions

Realizing that smaller credit unions and the national league cannot meet their current expenditures from the interest margin alone, the Uganda Cooperative Savings and Credit Union (the league) has set up several income generating activities (carpentry workshop, stationery supply, transport) that provide additional income and create employment. In addition, the central finance facility grants loans to affiliated credit unions for the financing of income generating activities at primary level. This has greatly contributed to the financial self-reliance of Uganda's credit union movement.

Although credit unions do not consider employment creation as their primary goal, most of them lay much emphasis on the *productive use* of the loans they grant to members, because such use increases their repayment. Although there are no statistics available, credit unions have, without doubt, financed thousands of SMEs and informal sector initiatives by:

- (a) enabling people with a low, irregular income to save in a financial institution and thus to accumulate capital for productive investment;
- (b) granting loans without much red tape and at reasonable conditions;

¹⁹We should, however, mention that credit unions have created 12,497 jobs in Korea, 22,081 jobs in France and 650,000 jobs in China (Source: International Cooperative Alliance and ILO).

- (c) building central finance schemes whose assets can be used for institutional lending and larger investment loans.

A more detailed description of the employment creation potential of financial cooperatives is given in the component report on credit schemes.

5.1.3 Handicrafts and Industry

Industrial client-owned cooperatives are enterprises formed by independent craftsmen for the joint organization of raw material supply, product marketing and other services. This can be illustrated by the Dar es Salaam Small Industrial Cooperative (DASICO) which receives technical assistance from an ILO project.

DASICO was formed in 1976 by 384 craftsmen in an industrial cluster in the outskirts of Dar es Salaam. Today, the cooperative has 527 active members and 395 youths (apprentices) who work in five different trades: general engineering, woodworking, welding, paper bag making, and handicrafts. DASICO has the objectives of providing its members with training, official recognition (and thus protection against harassment by local authorities), marketing and basic social services. Members produce in their individual sheds and for their own account, but pay 7% of their sales to cover the cooperative's overhead expenditures. The ILO project supports the cooperative through training and various technical and managerial fields, management system development and business advisory services.

A Workers' Takeover in Zimbabwe

"Spring Master" was Zimbabwe's biggest furniture manufacturer when its European owners abandoned the company after the country gained independence in 1980. The company was liquidated in 1984, but a group of its former employees had decided to form the "Spring Cabinet Cooperative" in order to save their jobs. After a difficult inception period, the cooperative managed to expand its range of production and to hire more workers, including university graduates for management posts. By 1995, the cooperative had created 206 full-time jobs (up from 7 ten years earlier), accumulated 7 million Z\$ in capital (up from 130 \$) and reached a turnover of 16.3 million Z\$. It is now planning to export to neighbouring countries.

(From a case study prepared by the Zimbabwe National Cooperative Federation)

The main benefit of client-owned industrial cooperatives results from their organizational function which provides micro-entrepreneurs working in the informal sector with a certain degree of legal protection, job security and social welfare. The cooperatives thus stabilize and "formalize" the informal sector.

5.1.4 Trade, Transport and Services

Consumer cooperatives have been very prominent in centrally planned economies such as the Sudan, Ethiopia, Angola and Mozambique. In these countries, certain basic commodities were available only (or at highly subsidized prices) through consumer cooperatives, so that virtually every citizen became a member. As expected, these “cooperatives” disappeared as soon as the countries introduced market economy principles. A few genuine consumer cooperatives exist in most African countries. Nevertheless, they have been successful only in Botswana (where they control a significant share of the retail market), Namibia (where they are *de facto* confined to the white population) and, to a lesser extent, in Swaziland.

Jobs created by consumer cooperatives (1995)	
Country	Employees
Estonia	7,650
Georgia	20,100
Germany	25,000
Hungary	30,225
Japan	64,134
Romania	56,735
Russia	727,000
Sweden	35,000
Switzerland	44,000
United Kingdom	84,364

The direct employment creation potential of consumer cooperatives is limited, although the figures collected in some non-African countries look quite impressive²⁰. Even the indirect employment effect is small, because most African consumer cooperatives sell imported goods and thus stimulate production *outside* their own country. The promotion of consumer cooperatives is therefore not a priority with regard to employment promotion.

Housing cooperatives exist in many different shapes and forms²¹, the main types being:

- (a) as self-help housing groups whose members help each other building homes; such groups are similar to traditional self-help associations and do not create direct employment;
- (b) as long-term savings and credit cooperatives similar to building societies. These cooperatives deal only with the financial aspect of housing and operate like credit unions;

²⁰Information provided by the International Cooperative Alliance, Geneva Office

²¹For example: (i) workers' cooperatives formed by workers in the construction sector, (ii) cooperatives of individual house owners, (iii) cooperatives of collective house ownership, (iv) cooperatives of tenants, (v) cooperatives for self-construction of houses, (vi) cooperatives of collective housing services, and (vii) building societies (or credit unions for construction).

- (c) as joint builders: the cooperative members agree on a standard construction plan and negotiate favourable conditions with a building contractor. Such cooperatives create temporary employment in the building industry.

All three types have of course indirect employment effects in the building material industry. Such indirect effects are important when membership in a housing cooperative is the only way for a household to acquire real estate. In fact, one can safely assume that thousands of houses in Europe would *not* have been built without the existence of building societies.

Although many surveys have shown that housing improvement ranks among the top priorities of most African households, housing cooperatives are not very widespread on the African continent. They can be found in Egypt, Ethiopia, Kenya, Morocco and Senegal, because the governments of these countries granted substantial benefits to housing cooperatives (see box). Such "state sponsored" cooperatives should be considered as interest groups which are formed primarily to benefit from government subsidies. In Kenya, housing cooperatives are fairly successful because of donor support.

The following two examples illustrate the job creation potential of non-traditional, client-owned cooperatives:

The "*Kampala Shoe Shiners Cooperative*" began as a savings and

credit cooperative, because shoe shiners need to save parts of their daily income in order to finance monthly expenditures such as rent. The second activity of the cooperative was to equip each member with a standardized desk, which gave them some professional image. In November 1994, the cooperative was planning to establish

Housing Cooperatives

The 1,700 housing cooperatives of **Egypt** have 3 million members, mostly urban citizens. The members of these cooperatives are building 100,000 to 150,000 (mostly prefabricated) flats *every year*. The main incentive to join a housing cooperative is the low interest rate of 4% to 6% per year (market rates are as high as 20%) and the long duration (40 years) of construction loans. In addition, housing co-operatives are exempted from various taxes and duties, and have preferential access to land.

In 1992, there were 599 housing cooperatives in **Ethiopia** that had built 18,000 houses; 178 others were in the process of building 4,912 houses; and 1,260 "young" cooperatives with 32,853 members had not yet begun construction. Housing cooperatives were entitled to preferential allocation of land, to highly subsidized building material, to loans without prior obligation to save, to subsidized interest rates and to free construction plans and free technical assistance.

(from internal ILO mission reports of 1993)

a small manufacturing unit for shoe polish and brushes. The cooperative has presently 3,000 members in Kampala and is expanding beyond the capital city.

The “*Association des Conducteurs de Chariots du Zaïre (ACCZ)*”, an association of wheelbarrow pushers which is active in Kinshasa (30,000 members) and Lubumbashi (20,000) members, was originally a workers’ union which negotiated standard terms of contracts between wheelbarrow *owners* and *pushers* (very few wheelbarrow drivers are independent). In the course of the years, the association organized a number of social services, such as a “life insurance” (which paid a certain amount of money to the dependants of drivers killed in traffic), a primary school and primary health care centres. In 1992, the European Union agreed to finance an innovative project which involved the ACCZ and the union of vegetable cooperatives around Kinshasa: vegetable farmers were using household refuse (supplied by ACCZ members) as manure, but found it very difficult to sort out the non-organic material. The EU project therefore financed an industrial site in the outskirts of Kinshasa, where the household refuse was cleaned before being delivered to farmers. The estate included also a workshop for the maintenance and repair of wheelbarrows.

It appears that service, trade and transport cooperatives have an important employment creation potential that remains largely untapped in Africa. The cooperative organization of independent service providers, traders and transporters can stabilize self-employment by increasing productivity, enlarging the business scope, producing economies of scale and facilitating the division of labour.

5.1.5 Other Types

There are many other types of cooperatives in Africa, such as the fishery cooperatives that exist in most African nations, the cultural cooperatives in Zambia, the home industry cooperatives in South Africa, the taxi driver cooperatives in Swaziland and Togo, the doctor’s cooperatives in Benin, the pharmaceutical cooperatives in Niger

Non-traditional Cooperatives in Uganda

A survey conducted in 1995 by the Uganda Cooperative Alliance revealed that the country had 948 active “non-traditional” cooperatives with 80,580 members active in 26 different trades. The provided employment to 17,064 member-workers and to 5,688 salaried workers. Female membership was much higher than in “traditional” (agricultural marketing) cooperatives.

and the community development cooperatives that exist in many African countries. They all create employment, and many of them could serve as interesting case studies of innovative self-help. Unfortunately, the “non-traditional” cooperatives have been neglected by governments, donors and even the cooperative apex organizations, so that we know little about them. However, available evidence suggests that such cooperatives have the highest potential to create *additional* employment in all sectors of the economy.

It is therefore suggested to specifically include non-traditional cooperatives into the terms of reference of the country studies to be undertaken in the context of Jobs for Africa.

5.2. Worker-owned Cooperatives

5.2.1 Agriculture

Collective agricultural cooperatives have seldom succeeded, because farmers anywhere in the world want to own their plots. Yet, they *can* work when people are bound together by special circumstances, as it was and still is the case of the Israeli Kibbutzim. An example from Africa is the Union of Green Belt Cooperatives around Maputo in Mozambique. These (collective) cooperatives were formed by 20,000 displaced women who had fled the civil war. Thanks to substantial assistance from various NGOs and UN agencies, the Union has become Mozambique’s biggest poultry producer and contributes significantly to the capital city’s food supply while providing their members with a decent income. In Eritrea, ex-freedom fighters are planning to set up collective cooperatives, because the fight for independence has created such a strong bond among them that they want to continue living and working together. In many Sahelian states, women groups are cultivating collective farms which could be considered as worker-owned cooperatives.

These examples suggest that collective agricultural cooperatives may be a (temporary?) solution for war affected groups: ex-combattants, refugees, war victims and displaced people.

5.2.2 Handicrafts and Industry

Handicrafts and small industrial cooperatives (HIC) are generally established in the form of a worker-owned cooperative by people whose own financial resources are not sufficient to finance an individual production unit; another reason is that joint production in a HIC allows for division of labour and thus improves productivity. Such cooperatives are not yet very prominent in Africa, except in countries such as Ethiopia and Tanzania where governments have created specialized promotional institutions.

In *Ethiopia*, the former Handicrafts and Small Industries Development Agency (HASIDA, now a department of the Ministry of Industry) provided technological, educational, managerial and financial support services to handicraft cooperatives, so that, in 1991, 719 such cooperatives existed in the countries. Membership (and thus the number of

jobs created) amounted to 46,000, and the annual turnover to 25,000,000 US-\$. Most cooperatives were active in the textile sector where they had achieved

The first Mondragon cooperative was formed in 1956 by five men. 32 years later, the movement had grown to 21,000 members working in over 100 industrial cooperatives. The success of this complex has been attributed to the following factors:

- continuous education in technical, economic and social matters;
- a financial structure that preserves worker ownership and control;
- horizontal integration among the different cooperatives of the complex, and vertical integration through a common general management;
- the design of a cognitive framework that is made up of basic values, objectives, policies and guiding principles;

(Source: G.B.Hansen, Lessons...)

The Mondragon Cooperative Complex in Spain

some degree of vertical integration²². Many cooperatives have obviously been established under HASIDA's influence, and are therefore not totally "genuine"; on the other hand, the HIC resisted better than other types of cooperatives when the Ethiopian government adopted, in March 1990, an economic reform programme during which most government support to cooperatives was sharply reduced. In fact, the number of handicraft cooperatives in Ethiopia had risen to 757 in 1995, and membership to 60,858, while virtually all agricultural producers' cooperatives (collectives) had been dissolved by their members.

In *Tanzania*, the Small Industrial Development Organization (SIDO) began promoting handcraft and small industrial cooperatives in 1973. By the end of the 1980s, about 350 cooperatives with 7,000 members had been established with massive government support. In 1991, the government of Tanzania adopted a new, liberal cooperative development policy, enacted a new cooperative law and drastically cut subsidies to the cooperative sector. As a result, many of the former "state sponsored" cooperatives went dormant or were transformed into capital enterprises. On the other hand, many new industrial cooperatives or micro-enterprise associations were formed to take advantage of the market economy.

Industrial cooperatives are well developed in Asia and certain European and American countries, but are almost unknown in most African countries. The examples of Ethiopia and Tanzania show that such cooperatives can be developed into viable businesses with a careful mix of assistance. In both, governments and donors have established parastatal support agencies that provide HIC with a broad range of technical and financial services. It seems that without such assistance, HIC cannot flourish, because their members lack capital and managerial skills.

Marketing assistance (especially export marketing) is very important, because

"Wakitamani" is a joint venture of six handicrafts producer groups and cooperatives from Kenya, Uganda and Tanzania. It was formed with legal, organizational and financial advice from ILO INTERCOOP. Wakitamani coordinates its members' marketing and export activities and thus strengthens their position on overseas markets. By working together, the cooperatives can offer a broader range of East African crafts to overseas customers and afford promotional measures such as the participation in trade fairs. Through Wakitamani, the affiliated cooperatives can export directly and thus retain a greater share of the value added.

Handicraft Exports

²²"Spinning" cooperatives supplied yarn to "weaving" cooperatives which sold cloth to garment making and embroidery cooperatives.

most individual craftsmen are unable to sell directly on overseas markets and must therefore share their value added with local middlemen. Yet, placing products on overseas markets can increase production and revenue, thus creating additional employment. The ILO INTERCOOP programme collaborates with several handicraft cooperatives in Kenya and Tanzania whose characteristics are shown in the table below:

Basic Data on INTERCOOP Partner Cooperatives in East Africa						
Cooperative	Type	Members	Staff	Turnover (US-\$)		
				Total	INTERCOOP	Per member
Matinyani	Carpets	70	2	72,700	33,500	479
Turkana	Basketry	300	2	15,000	22,670	76
Tabaka	Soapstone	20	0	10,000	1,630	82
NAWOU	Basketry	1,000	5	65,000	21,640	22
Nairobi Craft	Wood Carving	800	7	120,000	9,020	11
Kisii	Soap stone	400	8	330,000	16,460	41
Meru Herbs	Herbal tea	360	5	?	13,000	36
Kilimanjaro Guides	Tourist Services	12	0	12,000	11,760	980
Mwenge	Wood carvings	700	0	?	24,800	35
Total		3,662	29	624,700	154,480	42

(Data supplied by project INT/93/MO3/FRG)

Experience and research have shown that HIC can be successful if:

- the cooperative has a dedicated leader, and members are committed to a common goal;
- there is a genuine demand for the cooperative's products;
- the cooperative enterprise is fundamentally viable and run according to business principles;
- members have the necessary skills or can acquire them.

Several authors are of the view that promotional organizations such as SIDO in Tanzania and HASIDA in Ethiopia are indispensable for the successful development of industrial cooperatives.

5.2.3 Labour Contracting Cooperatives

This type of cooperative, whose members offer their labour as a group to entrepreneurs (mostly building contractors), is widespread in Asia, but almost unknown in Africa. In India, for example, labour contracting cooperatives had been promoted by the Armed Forces after the Second World War to help demobilised soldiers return to civilian life; shortly afterwards, the federal government applied the scheme to landless labourers and granted labour contracting cooperatives preferential treatment. In 1977, India counted 5,714 labour contracting and forest workers cooperatives with 648,000 members and a work-value of 703 million Rupees.

The only example of labour contracting cooperatives in Africa known to the ILO comes from Guinea Conakry, where some ex-employees of a privatized water supply company have formed a cooperative that offers pipe fitting services to the public.

Labour contracting cooperatives seem to have a great employment creation potential that remains largely untapped in Africa. It would be highly desirable to adapt the experience from Asia and other regions to the African situation.

5.2.4 Trade, Transport and Services

Worker-owned cooperatives involved in the above sectors have gained little importance in Africa. In Benin, 10 primary level, *provider-owned* health cooperatives have been set up as community health clinics with support from Government, the ICA and several UN-agencies (including the World Bank). Cooperative members are recently graduated health professionals (doctors and medical assistants) who were unemployed because of retrenchments in the public sector. The clinics have become financially self-reliant although their services are cheaper than comparable private and public clinics. In addition, the cooperative members train other health workers at a third of the costs of public health schools. In Cameroon, a group of ex-employees of a liquidated, parastatal cooperative development agency have established an association called "Association des Auditeurs et Formateurs des Cooperatives (AAFSCOOP) that provides training, audit and business advisory services to cooperatives. AAFSCOOP has gained

a good reputation and is being hired by NGOs and donors to provide technical assistance to cooperatives and similar groups. A third example are the Kilimanjaro mountain guides who have formed a cooperative to offer their services directly to overseas travel agencies instead of working under precarious conditions for local tour operators. By selling complete tourist packages to European tour operators, the new cooperative has considerably increased the income of its members. In addition, the cooperative has developed a savings scheme that will help its members to spread their income earned during the relatively short tourist season over the whole year.

5.3. ESOP-type Enterprises and Workers Takeovers

The Employment Stock Ownership Plan (ESOP) started in 1974 in the USA with the objective of enabling workers to buy shares in the company that employs them. ESOP was devised as a means whereby rank-and-file workers could cooperatively gain access to the capital which was denied them individually. The plan would allow them to use their company's credit and productive capacity to borrow money from a bank to buy capital stock in their own company. The company in turn would use the fresh money to acquire capital equipment for expansion and would repay the bank loan out of the additional earnings.

In the US, an ESOP operates through a legal device called an ESOP Trust which is set up by the company and, sometimes, the employees. The Trust holds the shares purchased from private shareholders on behalf of the employees. The loan that was used to purchase the shares are paid back by the company, and the shares are allocated to employee accounts in the ESOP trust. The scheme is supported by substantial tax preferences granted by the federal government. Since 1974, about 11,000 ESOPs have been created, covering about 12 million workers or about 10% of the US workforce. However, only 3% of the total productive capital in the US is presently owned by employees.

Originally devised as an instrument to broaden the capital base of US companies, the ESOP scheme has served different purposes; some ESOPs are used as employee benefit schemes (40% of all ESOPs) or capital generating tools (rare), some are used to privatize government agencies (1-

A Workers' Take-over in Benin

The cooperative CODIMAS was established in 1987 after the liquidation of the parastatal company SODIMAS which held a monopoly for the import and distribution of office stationary. It was formed by eight former SODIMAS employees; despite stiff competition from private traders, CODIMAS has managed to increase its turnover from 10 million CFA in 1987 to 27 million in 1993, and to break even.

(From ILO internal mission report of 1995)

2%), others are set up to prevent the immediate closure of a business by its owner (3-4%) or to buy the company from departing or retiring owners (45%) and still others are used as a management defence against a hostile takeover (individual cases). This suggests that the ESOP movement has taken a different direction than its promoters had in mind: instead of primarily mobilizing capital among workers, ESOPs have evolved into an instrument that preserves employment. A study by the US-Center for Employee Ownership found that ESOP firms in the US grew 3 to 4 percent per year faster than they would have without the scheme, and that this growth created almost 50% more jobs in the ESOP companies.

ESOPs are unknown in Africa, but the continent has to offer interesting cases of *workers takeovers* through the formation of *worker-owned cooperatives* or associations. One example is the aforementioned AAFCOOP in Cameroon. A second example is the “Coopérative des Transporteurs des Produits Pétroliers” of Guinea Conakry which was formed by 36 workers of the liquidated “Office des Hydrocarbures de la Guinée”, a parastatal that had the monopoly of fuel transport in the country. The cooperative received from the state a loan in kind of 150 millions FG²³ (five lorries) and began transporting petroleum products for private distributors. Today, the cooperative has fully reimbursed the loan, was able to buy six additional secondhand lorries and has hired 20 workers (who are not members of the cooperative). It has become the sole transporter for a large petroleum company. This is not the only example of successful workers’ takeover in Guinea.

In Zimbabwe, many small and medium enterprises abandoned by their owners after the independence of former Rhodesia have been taken over by workers in the form of a cooperative. Many of them are quite successful and have entered export marketing.

Workers’ takeovers as an alternative to the privatization or liquidation of parastatal companies has been neglected in Africa. This option could save thousands of jobs by making productive use of already available investment. We therefore suggest to include a workers’ takeover feasibility study into all privatization programmes in Africa.

²³1 USD = 1,000 Francs Guinéens

5.4. Women and Cooperatives in Africa

Women are generally under-represented in African cooperatives. This is mainly due to the fact that land is traditionally owned by men. As landowner, the husband - and not his wife - becomes the member of a cooperative, even though the wife contributes considerably to agricultural production. In fact, women are generally devoting more time than men to agricultural production. On the other hand, women remain in the village after the harvest, when many men go to town in search of seasonal jobs. This is why women actively participate in mixed rural cooperatives and cooperative-type organizations created by village communities to organize pre- and post production services. When women have access to education and training, including functional literacy training, they often assume leadership, management and secretarial functions in the local cooperative.

Sometimes, cooperatives are created exclusively by women to develop, organize and manage rural economic activities such as horticulture, handicraft production, small animal husbandry and food crop marketing that are traditionally carried out by women. Women also organize thrift and credit cooperatives both in rural and urban areas to finance these activities and to raise funds for community investments such as village health care centres, pharmaceutical depots, consumer shops and storage facilities. Here again, female cooperative members have greater access to permanent or seasonal salaried posts (shopkeepers, accountants, managers etc.).

It has been found in many African countries that the percentage of female membership is much higher in handicraft cooperatives and credit unions than it is in agricultural cooperatives. In addition, it has been proven that women are better credit union managers, more regular savers and more reliable borrowers than men. Many African credit unions would not survive without their female members.

It is interesting that female membership in all types of cooperatives is very high in some Southern African countries. This is a result of male labour migration from these countries to South African mines and farms. The women, who remain in the home country, bear alone the responsibility for their families and must therefore manage the family farm and household.

Experience has shown that the best way to increase the participation of women in national cooperative movements is to organize cooperatives around those economic functions that fall traditionally under the responsibility of women (as for example food crop marketing). Such cooperatives may *de facto* become women's cooperatives without being called such.

5.5. Prerequisites for Job Creation through Cooperatives

Experience in the field has shown that cooperatives in Africa can create sustainable employment when the following conditions are fulfilled:

Prerequisites for Job Creation through Cooperatives

- *the existence of a favourable climate* for cooperative development. The ILO considers this to be achieved when a country (i) guarantees the freedom of association, (ii) provides the legal instruments allowing cooperatives and similar organizations to obtain an official, recognized status, (iii) clearly draws a line between the management autonomy of cooperatives and the supervisory role of the state, (iv) puts cooperatives on an equal footing with other types of private enterprises and (v) makes technical support services available to cooperatives.
- *economic viability*: cooperatives are first and foremost enterprises that must break even. They can play a social role only when their business generates profits. Many cooperatives have failed because no proper economic feasibility study was carried out before their formation.
- *commitment and participation*: cooperatives must be based upon the common goal and the common bond of their members. If created from outside, members will not feel committed and will not participate, and the cooperative will fail.
- *access to technical support services*: cooperatives are usually formed by disadvantaged population groups who did not have the chance of a decent education. Therefore, cooperative members need education and training, business advisory services and external auditing to run their joint enterprise successfully.
- *access to capital*: just as any other business, cooperatives need access to working and investment capital.

5.6. Promotional Tools

5.6.1 Education and Training

In the 1960s and 1970s, cooperative education and training focused very much on cooperative values, principles and ideology, but neglected cooperative management. This approach prepared (or accompanied) the “cooperativization” process that took place in several African countries and largely contributed to the negative image of cooperatives.

Bearing this in mind, the ILO and other agencies are now of the view that:

- cooperative education should enable members to participate in business operations and to supervise their elected leaders and the cooperative personnel;
- cooperative training should qualify elected cooperative leaders and cooperative personnel for their management functions.

Relevant training material has been produced by many organizations and is readily available in different languages²⁴.

A second question is *how* cooperative training should be organized and *who* should dispense it. Several African countries have established specialized cooperative colleges (see the chart on page 16), but in none of them the problem of sustainable financing has been solved, although several colleges have developed interesting alternatives to state and donor funding. Besides this, it is questionable whether it is justified to establish special training institutions for a subject which is - by and large - not very different from general business management. In some countries, the training function has been taken over by the cooperative movement itself, which is probably the best solution. In other countries, cooperative training is carried out by local NGOs (which are not always fully competent in the subject matter) or has been integrated into the curriculum of universities or vocational training schools. In Cameroon, donors have contributed to a cooperative support fund that partly subsidizes the training activities of NGOs and private institutions. In Eastern and Southern Africa, cooperative colleges have created a network for the exchange of material, techniques and teachers, an initiative that will reduce the overhead costs of each participating country. Several countries are testing distance education as a new method of cooperative training.

²⁴For instance, the “Material and Techniques for Cooperative Management” (MATCOM) developed by the ILO which cover all aspects of cooperative management and have been translated into many vernacular languages, likewise the manuals prepared by ILO ACOPAM and INTERCOOP.

These examples show that an integrated approach to cooperative training will include a variety of options tailored to the specific circumstances of each country and institution. Donors should, as far as possible, make use of existing institutions and structures rather than creating new ones, and should focus on enhancing the training capacity of these institutions rather than directly training the target groups.

5.6.2 Management System Development and Business Advisory Services

This aspect covers everything from basic bookkeeping systems for a cotton marketing group to sophisticated management information systems for a cooperative union. Virtually every cooperative development project has designed management systems for its specific target group, and several universal systems are available²⁵. Unfortunately, the management systems developed by different actors are not always compatible, not always appropriate and sometimes of doubtful quality; this is in particular the case in countries with a large number of NGOs. In addition, many management systems have become obsolete due to the changes caused by structural adjustment.

We recommend that donors concentrate on producing appropriate, universally applicable cooperative management systems, on developing methods to adapt these systems to the needs of individual cooperative societies, and on training those who implement the system.

Management system development and business advisory services (BAS) go hand in hand. In many African countries, BAS were the exclusive domain of the Cooperative Department whose staff did not always have the necessary competence and commitment. With the downsizing of the civil service, other solutions have to be found. On the other hand, BAS have become very important in the turbulent period of structural adjustment.

The participants in a recent workshop on the privatization of cooperative support services concluded that BAS should be demand-oriented, problem-

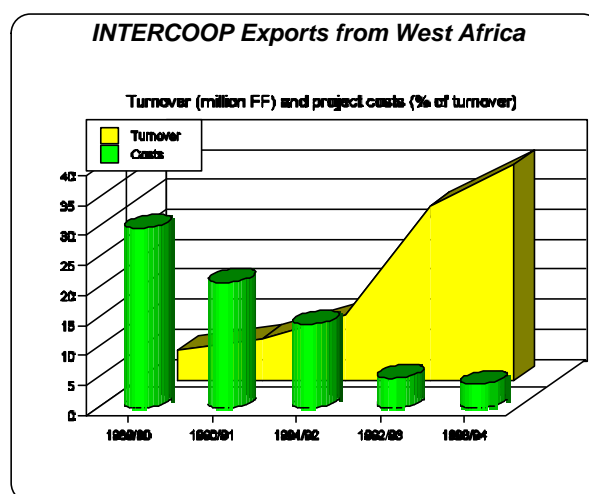
²⁵Such as GACOPEA (Gestion appropriée des coopératives des petits exploitants agricoles) developed by FAO and DSE.

solving in nature, transparent, and tailor-made to suit the needs of the recipient organization. Furthermore, BAS should be primarily financed by the beneficiary cooperative; any external funding should be phased out over a limited period; external assistance for the establishment of a BAS at the apex organization or the college should focus on capacity building and human resource development. Such aid should include the injection of working capital.

Marketing is of particular importance to many producers organizations, yet it has been neglected by many developing projects. In fact, many projects are focusing on production only, but do not help the producer to *sell* his or her products. As far as major cash crops (coffee, cotton, tea etc.) are concerned, producers can rely on established marketing channels; yet, no such channels exist for many varieties of vegetables and fruits, for handicrafts, and for the wide range of innovative products African producers have to offer. As domestic markets are limited, while overseas markets are inaccessible to small producers, the levels of production, income and employment remain low. The ILO has therefore designed the aforementioned INTERCOOP programme which helps producers in Africa establishing contacts with overseas buyers and fulfilling contractual obligations. The programme has further developed an export marketing manual for cooperatives and is operating an "observatory" on cooperative exports from Africa. The INTERCOOP is now being applied by several other ILO cooperative projects.

5.6.3 Organizational Development

We understand by "organizational development" the promotion of, and assistance to, the self-organization of producers through the formation of a cooperative or a similar group. This is a delicate issue: on the one hand, the very nature of a cooperative as a self-help organization implies that it is formed by its members without any external interference or assistance. On the other hand, experience has shown that cooperatives do not simply emerge spontaneously, but have been initiated by "born leaders", by the state or by development projects. It is a fact that the great majority of existing cooperatives in Africa have been initiated from outside the group of cooperative



members. Besides this, the lack of producers organizations is being considered by many as one of the key factors affecting economic development in Africa. The key issue is therefore: how to promote producers organizations (including cooperatives) without paralysing the self-help spirit of their members.

It is certainly not advisable to make the granting of privileges, grants and loans subject to the formation of a group, as it has been done in many projects. This simply leads to the establishment of opportunistic organizations that disappear as soon as external funding ends. Cooperative promoters should instead prove the potential benefits an individual can derive from the economies of scale and the increased bargaining power of a group. However, the decision to create a group (or to join an existing one) must be taken by its members alone. Once this decision has been taken, the promoter may provide technical assistance (formulation of byelaws, education and training, system development etc.) without interfering into the decision-making process. The ILO (MATCOM, ACOPAM and other projects), the FAO (Peoples' Participation Programme) and other agencies have developed, tested and documented successful methods of organizational development that can be applied (after adaptation) to all sub-saharan African countries.

Organizational development should not become an end in itself, nor the objective of an external actor, but a tool of producers to reach a common goal. Governments and donors should support organizational development by providing a conducive environment and technical and financial assistance.

5.6.4 Loans and Grants

This aspect will be dealt with in the component report on credit systems. We would, however, like to emphasize that cooperatives are not only potential receivers of loans, but can play an important role in savings mobilization and loan administration (see 5.1.2).

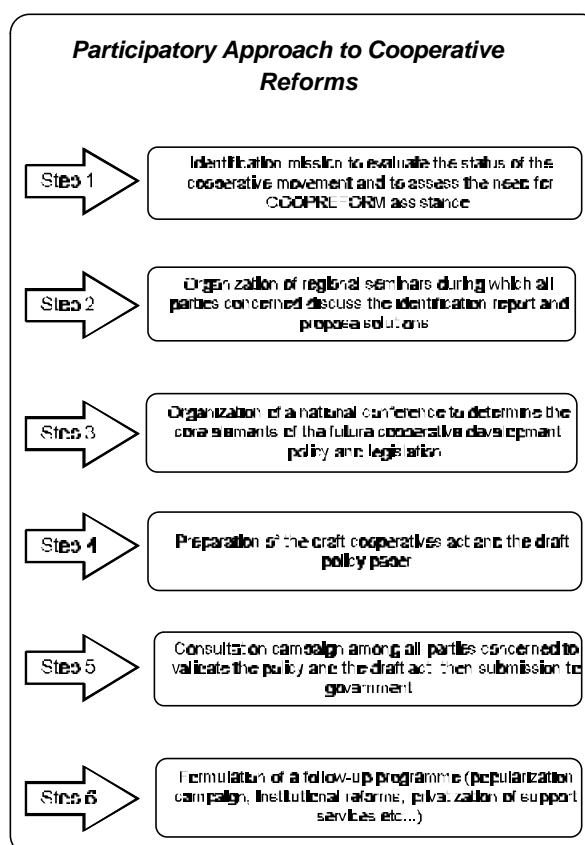
6. Lessons Learned

6.1. Best Practices

6.1.1 Support to Macro Reforms and Follow-up Programmes

We have stressed several times in this report the need to create a conducive environment for cooperative development before embarking upon cooperative promotion at grassroots level. In many countries, this will require a cooperative reform programme which includes the design of a new cooperative development policy, a revision of the cooperatives act, the privatization of cooperative support services, institutional reforms and a follow-up programme that provides longer term assistance for the actual implementation of the reforms in the field. The ILO recommends adopting a participatory approach to cooperative reforms in order to associate all parties concerned with the required changes.

Donors should support cooperative reforms with technical assistance in such highly specialized fields as cooperative policy and legislation, and with limited financial assistance to meetings at regional and national level. Even though the amounts required are relatively small, it is advisable to set up a consortium of interested donors who agree on the objectives and methods of the reform.



The ILO has gained considerable experience in the design and implementation of cooperative reforms in Africa, and has been accepted by several multilateral and bilateral donors (UNDP, World Bank, EU, CFD, USAID, GTZ) as “primus inter paribus” in this field. Several cooperative reform instruments (policy manual, legal checklist, legal database etc.) are now available.

6.1.2 Combining Investment with the Organization of Producers

We refer to the examples under 5.1.1 which describe how different types of investment into agriculture and rural development have been made sustainable by setting up self-reliant producers' organizations. This might be the only way to preserve the investment, to maintain the equipment and infrastructure they have financed, and to stabilize the jobs (or income opportunities) they have created. In organizing producers, it is important to observe the following rules:

- Producers must be associated right from the start, that is, when the investments are being planned. Sometimes, governments or donors have financed infrastructures and then asked producers "to form a cooperative and take them over". In this case, producers did not feel committed and did little to preserve the investments.
- Producers' organizations must be based upon the common goal as defined by their members; this goal may not necessarily be the objective pursued by those who financed the investment.
- the organization of producers requires a considerable amount of system development, training and advisory services; wherever possible, this function should be delegated to local NGOs, development projects or relevant government structures which may, however, require training themselves.
- Producers' organizations should be set up according to natural boundaries (a village, a sub-canal in an irrigation scheme etc.) so as to preserve the coherence of the groups. Instead of forming one large organization, it is more advisable to promote the establishment of secondary structures such as a union of farmers groups.

6.1.3 Capacity Building in Support Institutions

Cooperative development projects carried out by governments or multi and bilateral donors should focus on strengthening the technical capacity of local cooperative support organizations (NGOs, private sector, parastatal agencies, local government authorities, general development projects with a cooperative component). In many African countries, a large number of such support organizations are involved in the promotion of cooperatives or similar organizations without having the appropriate technical capacity to do so. This often results in the failure of the cooperative societies and leads to frustration among the beneficiaries. On the other hand, multi and bilateral agencies do have the appropriate technical skills, but are far too expensive to operate at grassroots level. These agencies should therefore develop system, methods and

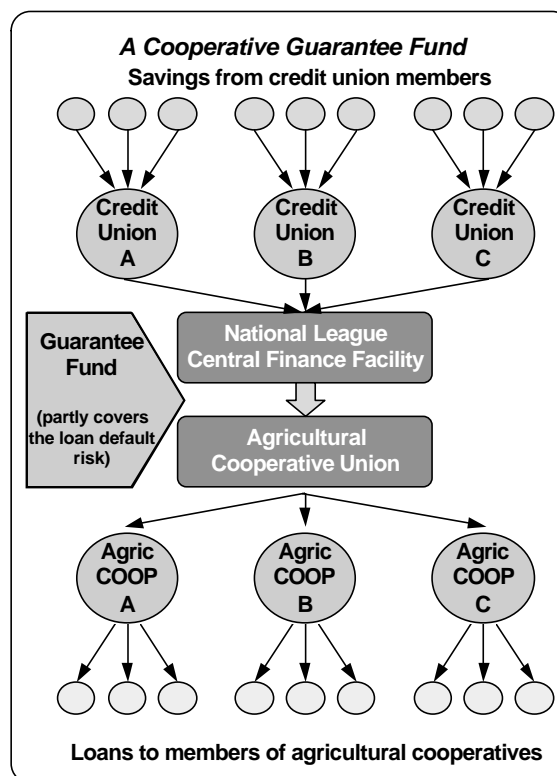
material, and train the local support organizations. This approach has been successfully applied by the ACOPAM programme in West Africa (see 5.1.1) .

In an era of structural adjustment, it is no longer justified to strengthen governmental Cooperative Department. There is now a general view that these departments should confine themselves to functions that cannot be transferred to the private sector (registration, liquidation, arbitration etc.), and should delegate all other functions to the private and non-governmental sectors.

6.1.4 Capital Mobilization and Loan Administration through Cooperatives

As stressed earlier in this report, savings and credit cooperatives have proven to be the most appropriate financial institutions for mobilizing savings in rural areas and in the informal sector, and for administering loans to small producers (and consumers) in a cost-efficient way. Wherever in Africa credit union development projects have been implemented, they were successful and led to rapid growth in membership and savings.

It has been observed in most African countries that *rural* credit unions generate substantial net savings which can be used for lending to agricultural cooperatives which usually have an important demand for short-term loans. However, the top priority of credit unions is to protect the savings of members, while agricultural cooperatives do not always have sufficient guarantees and collateral to offer. Such funds partly cover the loan default risk, thus enabling credit union leagues to grant short-term loans to unions of agricultural cooperatives for lending to their members. In several countries, guarantee funds that function according to the model on the right have been successfully implemented. A more detailed description of the functioning, advantages and risks of guarantee funds is given in the component report on credit systems.



6.1.5 Horizontal and Vertical Integration

The European cooperative movements derive much of their economic power from horizontal and vertical integration (see 3.6). The same is true for several African movements (especially in English speaking Africa). Horizontal and vertical integration generally improves the sustainability of the movement, enhances its autonomy and

makes it independent in the field of support services. Donors can support the formation of cooperative unions and federations by carrying out feasibility studies, designing appropriate management training, dispensing high-level management training, and providing seed capital.

6.1.6 “Formalizing” the Informal Sector

Cooperatives and similar organizations can play a key role in stabilizing the informal sector (and thus creating and preserving employment) by providing its members with economic and social services and with official recognition. In this context, it is important to identify the suitable organizational form (organization of producers by trade, by gender, by age, by location or a combination of these criteria), to find the appropriate legal status (cooperative, association, company etc.), to evaluate the economic viability of the planned organization and to provide a complete range of technical and financial support in the start-up phase. By forming a cooperative, informal sector workers can build a bridge to the formal sector; more on this issue is given in the component report on the informal sector.

6.2. Innovative Practices

The following chapter presents cooperative development methods that have never or seldom been applied in Africa, but have been successful in other parts of the world. In the context of “Jobs for Africa”, it should be studied whether these methods can be adapted to the African situation.

6.2.1 Promotion of Non-agricultural Worker-owned Cooperatives and ESOPs

Cooperative development projects in Africa have almost exclusively focused on agricultural supply and marketing cooperatives and, to a lesser extent, on credit unions and other types of client-owned cooperatives. The neglect of worker-owned cooperatives (in all economic sectors) may result from prejudices which associate the term “worker-owned” with socialism. On the other hand, CICOPA estimates that worker-owned cooperatives have created *100 million jobs* all over the world and in every political context. Beginning in the early 1970s, a resurgence of interest and support for workers’ cooperatives and other forms of worker ownership and participation have resulted from the search for greater economic democracy and for solutions to increasing unemployment rates. In spite of this, little has been done in Africa to promote workers’ cooperatives, because:

- both governments and donors seem to resist new ideas in the field of cooperative development;

- cooperative acts are usually designed for client-owned cooperatives and fail to include suitable provisions for workers' cooperatives;
- cooperative development agencies in Africa are ill-equipped to promote non-agricultural workers' cooperatives;
- trade unions do not seem to take much interest in the promotion of workers' cooperatives;
- there is a lack of strategies to promote this type of cooperative.

As worker-owned cooperatives and ESOP-type enterprises have a proven employment creation potential, cooperative promotion agencies should:

- (i) encourage countries to evaluate their cooperative laws and, where necessary, assist them to modify existing legislation or draft new laws specifically designed for workers' cooperatives and cooperative-type joint stock companies;
- (ii) develop basic strategies, models, training material and approaches which can be used to promote, incubate and finance worker-owned cooperatives;
- (iii) execute technical cooperation projects designed to expand employment through cooperative forms of entrepreneurship;
- (iv) include the option of workers' takeovers as an alternative to the privatization or liquidation of parastatal agencies or state companies;
- (v) include labour-contracting cooperatives, i.e. workers-owned cooperatives whose members jointly sell their labour to earn an income, into the promotional scheme.

In 1985, the Italian government passed the "Marcora Law" which created two funds, one of which grants loans at preferential interest rates to workers' cooperatives while the other finances the participation of investment companies (belonging to the cooperative movement) in the capital of such cooperatives., thus financing, for example, the worker buy-out of bankrupt companies. Each cooperative member had to put up a minimum capital of 2,500 US-\$ and was no longer entitled to any benefits from the public welfare system. The new cooperative society had to present a sound feasibility study before obtaining any funds. Within seven years, the scheme financed 105 cooperatives with 3,700 working members and a turnover of 250 million \$

***Job Creation through Workers' Cooperatives:
The Italian Experience***

Worker-owned cooperatives and ESOP-type companies could be developed in different economic sectors: agriculture (bearing in mind the limitations outlined in 5.2.1), industry, transport, trade and

services (including social and health services). The specially designed capital structure of these cooperatives establishes a realistic cooperative basis of ownership, equity and distribution of surplus.

6.2.2 Inter-enterprise Cooperation

In principle, each client-owned cooperative whose members are independent producers can be considered as a network of micro-enterprises that promotes inter-enterprise cooperation (IEC). In a narrower sense, the term IEC refers to a *system of independent small firms, organized on a local or regional basis, belonging to the same economic sector (including all upstream and downstream activities), the individual firms tending to specialize in a particular production phase, organized together, and with local institutions, through relationships of both competition and cooperation*²⁶. Such a system may take the form of a cooperative, of an informal network, of an employer's organization, or of a joint company. Its aim is to achieve economies of scale and economies of scope (the ability to react faster to market developments). It allows for a division of labour, for specialization and differentiation at enterprise level, for the rapid dissemination of information, and for skill development thus improving the productivity of the system as a whole.

In French speaking Africa, IEC has been promoted around certain products (called "filières", or production, marketing and distribution chains). In some countries, for example, all those involved in coffee production and marketing (farmers, buyers, processors, transporters, exporters, bankers) meet regularly in order to discuss common issues and to defend the interests of the coffee business as a whole. Several Francophone African countries have promulgated laws that allow for the formation of Economic Interest Groups, which provide an appropriate legal basis for IEC. However, this kind of IEC is still rare and largely influenced by external donors. There has been no systematic effort to promote IEC in other countries or in other sectors of the economy.

It appears that horizontal and vertical IEC could be of great benefit to informal sector enterprises in Africa, as demonstrated by the aforementioned examples of Tanzania (DASICO), Zaïre (ACCZ) and Uganda (shoe shiners). It is therefore proposed to include an element of IEC promotion into any informal sector development programme.

²⁶From F. Pyke, *Industrial Development Through Small-firm Cooperation*

6.2.3 Promotion of Cooperatives for Social Services

By “social cooperatives”, we mean organizations that are based on cooperative principles and are formed by the users or providers of social services (primary health care, basic education, community services etc.). In Africa, where only a privileged minority of people is covered by formal social security systems, traditional mutual help groups are indispensable for providing the rural population and the informal sector with a minimum of social protection. As a response to the limited capacity of governmental social security and social welfare system, one observes an expansion of voluntary, self-financed and self-managed mutual groups that organize basic social services for their members. However, there are presently no links *among* these groups which operate as closed units, nor *between* the groups and the state. The substantial amounts of money accumulated by these groups have therefore little macro-economic impact, and the bargaining power of individual groups remains small. The challenge ahead is to make the traditional systems of mutual self-help more efficient and more comprehensive without destroying their character as self-help institutions. This can be achieved by transforming the traditional systems into formal social cooperatives (belonging to the users or providers of social services) or mutual benefit organizations and helping them to form a vertical structure. Besides improving the social welfare of the population, such cooperatives can create a sizeable number of jobs. In Sweden, for example, more than 1,000 child daycare cooperatives have created 4,000 permanent employment opportunities. In the same country, several hundreds of new jobs have been created by cooperatively organized “neighbourhood services” that have taken over former public services such as mobile home services and primary health care.

Social Cooperatives in Italy

The first social cooperatives in Italy were formed in the 1960s as a response to the failure of the state to provide social services to all citizens. These voluntary organizations extend basic social services to excluded population groups such as the handicapped, the elderly, homeless people and drug addicts. At present, there are over 2,000 social cooperatives in Italy whose contributions are equivalent to 13% of state expenditures for social sectors. Recognizing the important role these cooperative are playing, the Italian Parliament passed a law in 1991 that takes account of their specific nature.

Social cooperatives are new to Africa, but can be built upon existing systems of traditional mutual help. The development of such cooperatives can ease the burden that structural adjustment has put upon the population of many African countries, and create new jobs for highly qualified people.

6.3. Inefficient or Harmful Practices

Experience from more than three decades of cooperative promotion in Africa has shown that several development practices are inefficient, if not harmful:

- *“traditional” cooperative education and training* which consists of raising the level of “cooperative spirit” among the target population. First, the existence of a multitude of self-help or mutual help groups in every African country proves the strong cooperative spirit of the African people. Secondly, people join cooperatives to improve their personal situation through joint action, not because of an obscure ideology. Thirdly, cooperative development is not a goal in itself, but a tool to achieve more general development objectives.
- *technical assistance at micro-level* is certainly not cost-effective insofar as bilateral or multilateral development agencies are concerned. Such agencies should rather concentrate on macro issues and on raising the technical competence of national institutions, apex organizations and local NGOs.
- *institution building at government level* (namely to strengthen governmental cooperative departments) has largely contributed to the cooperative crisis in many African countries. Such departments have a tendency of “incorporating” the cooperative movement through stringent control and supervision without having the competence of providing adequate technical support services; the same is true for parastatal cooperative development centres.
- the *top-down approach to cooperative promotion* has failed everywhere even when it was based on very good intentions. In many countries, this approach has discredited the cooperative movement so much that the term “cooperative” can no longer be used.
- *preferential treatment of cooperatives* in the form of grants, aid, subsidies, monopolies and credit allocations causes distortions which diminish their competitiveness. The withdrawal of such privileges in the context of structural adjustment has therefore caused the collapse of many state-sponsored cooperatives in Africa. However, the nature of cooperatives as member-oriented businesses that do not make profits (but surpluses) may justify tax exemptions.

7. Annex: Literature List

Note: The publications printed in bold letters have been extensively used for this report and are recommended for further reading

Author	Title	Year
André, Bernard	Les PIV et l'emploi en milieu rural	1996
Babassana Hilaire	Emploi, production et revenus dans les groupements précoopératifs et dans les unités de production individuelles des membres des groupements (projet PNUD BIT PRC/79/002)	1982
Carré, Côté (ICA)	1995 Profile. Agricultural Cooperation throughout the World	1996
Chariwa (ZNCF)	The Role of the Cooperative Movement in Employment Creation in Zimbabwe	1994
Develtere	Cooperation and Development	1994
Diallo (ILO ACOPAM)	La problématique de l'emploi local et du développement dans le contexte associatif et coopératif en Afrique de l'Ouest/Sahel	1993
Guri	Proposition de restructuration interne en vue de la rentabilisation de la coopérative CETIMAF	1996
Hansen	The role of cooperatives in the promotion of employment and income in the rural informal sectors (Report 3 for the ILO Meeting of Experts on Cooperatives, Geneva, 29 March - 2 April 1993)	1993
Hansen	A Modern Tragedy: the Failure to Enlist Workers' Cooperatives in the Battle Against Unemployment and Poverty	undated
Hansen	ESOPs in the USA (unpublished presentation)	1993
Hansen	Lessons from the past: Selected readings on the systematic development of workers' cooperatives to generate employment and income	1993
Harper (ILO COOP)	Producers' Small Scale Industrial Cooperatives: some case studies from developing countries	1991
Hussi et.al. (World Bank)	The Development of Cooperatives and Other Rural Organizations	1993
ICA	The expansion of Productive Employment and the Reduction of Unemployment	1994
ICA	The impact of the activities of cooperative business enterprises on the expansion of productive employment, the alleviation of poverty and the enhancement of social integration	1994
ICA-BRAO	Banque Régionale de Données Coopératives (phase 1: Burkina Faso, Cap Vert, Côte d'Ivoire, Sénégal)	1996
ILO and European Union	Local Employment and Economic Development Strategies (International Workshop Aarhus, Denmark)	1993
ILO	projet Niger RAF/86/M01/DAN "Appui aux Femmes Rurales" - Rapport Final	1993
ILO project URT/90/MO3/BEL	Diagnostic Survey of the Dar es Salaam Small Industries Cooperative Society	1994
ILO	From Want to Work - job creation for the urban poor	1993
ILO	Evaluation of INTERCOOP East Africa phase I (project INT/93/MO3/FRG)	1995

Author	Title	Year
ILO	Promoting Employment, Productivity and Income of Cooperative Settlers in New Lands, Egypt - Report of the Tripartite Evaluation mission	1994
ILO	A review of cooperative development in the African region: scope, impact and prospects (report III for the 7th ILO African Regional Conference Harare, November-December 1988)	1988
ILO JASPA	Ethiopia: Towards sustained employment promotion	1993
ILO	Atelier Régional sur les Reformes Coopératives en Afrique Francophone et Haïti	1996
ILO (project URT/90/MO3/BEL)	Strengthening small industrial cooperatives - progress report 1993/94	1994
ILO	The Challenge of Job Creation in Egypt - Report of the ILO Multidisciplinary Mission on Return Migrants from the Gulf	1991
ILO COOPREFORM	Structural Adjustment and Cooperatives in Africa	1996
Jönsson	The Contribution of Cooperatives to Job Creation - The Swedish Case	no date
Kiwirra, Dülfer, Pelcé (ILO)	The impact of labour law, industrial relations systems and international labour standards on cooperatives and cooperative law	1995
Levin	Alternative schemes for financing Cooperative HRD Systems	1996
Lindenthal (ILO COOP)	Cooperatives and employment in developing countries	1994
Mauge, (ILO COOPREFORM)	Etudes de cas sur le developpement cooperatif dans un contexte de reformes structurelles - Senegal	1996
Ministry of Agriculture, Republic of Botswana	Review of the Cooperative System in Botswana	1987
Muenkner and Shah (ILO COOP)	Creating a favourable climate and conditions for cooperative development in Africa	1993
Münkner (ILO)	Review of the impact of the Recommendation concerning the role of cooperatives in the economic and social development of developing countries	1993
National Union of Mineworkers (South Africa)	Development Strategy for Retrenched Mineworkers	1993
Oakley (Ed.), (DSE/FAO)	The challenge of Rural Poverty - how to meet it	1987
Ouedraogo, Kane, Beba, (UNDP)	Assistance preparatoire pour le developpement des institutions cooperatives a base pour alléger la pauvreté (CHD/93/008) - Rapport d'évaluation	juin 1996
O'Connor, Robert	Workers Cooperatives^: Thei employment potential	1985
Pickett, (ILO COOP)	Organizing development through participation	1988
Pyke (ILO)	Industrial Development through Small Firm Cooperation	1992
Schwettmann (GTZ)	Etude préparatoire pour le séminaire national sur le mouvement coopératif au Cameroun - analyse meso-économique	1987
Schwettmann (ILO COOP)	Final Report of the Regional Advisor on Cooperatives for Eastern, Southern and Central Africa (October 1988 to March 1994)	1994
Schwettmann (ILO COOP)	Cooperatives in Economies Under Reconstruction in East Africa - Background Paper	1995

Author	Title	Year
Transitional Government of Ethiopia	Country statement for the subregional ILO workshop on Privatization of Cooperative Support Services	1995
UCA	Survey of non-traditional cooperatives in Uganda	1995
Uganda Cooperative Savings and Credit Union	Annual Report fro the Financial Year 1990/91	1991
UN General Assembly	Status and role of cooperatives in the light of new economic and social trend - Report of the Secretary-General (A/49/50)	1994
Vingwe, Madzonga, Lindenthal, (ILO COOPREFORM)	Country Studies on Cooperative Development and Structural Adjustment - Zimbabwe	1996
WOCCU	International Credit Union Statistics 1990 -1993	
Zevi, Alberto	Creation of Jobs through Workers' Cooperatives - the Italian Experience	no date
Zvi Galor, Histradut	The Production Cooperative - A Tool for National Development	no date