

## SOME POSITIVE ASPECTS OF NEO-LIBERALISM FOR AFRICAN DEVELOPMENT: THE REVIVAL OF SOLIDARITY IN COOPERATIVES

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### ABSTRACT

*The history of cooperative development in Africa has left a mixed conception of these organizations. Whereas some observers regard them to be neither voluntary nor members' organizations, but extensions of the government; others view them as capitalist extensions of the market that are dominated by a class bent on exploiting the poor farmers. This contradictory conception of cooperatives has raised the question as to whether cooperatives in Africa foster the social and solidarity economy that they are conceptually part of and with what effect on development. This paper attempts to show some positive side of neo-liberalism in African development by tracing the fall of solidarity, and therefore the ambivalent participation, in African cooperatives and show the on-going rekindling of solidarity in, and revitalization of, cooperatives to effectively contribute to socio-economic development on the continent. Using the available secondary data, it is argued that though cooperatives are essentially elements of the social and solidarity economy, state control over the cooperative movement eroded the solidarity of cooperators in Africa. The state stifled people's freedom to think in their best interest and invest in businesses that could generate returns to help them solve their socio-economic problems. With ambivalent participation and little returns on their activities, cooperatives lacked the capital to entrench the social and solidarity economy in African development. Though neo-liberalism has had its downturn in African development, it has created space for cooperatives to reclaim their freedom and re-engineer solidarity among members to effectively participate in the activities of their organization. This new-found freedom has also enabled cooperatives to forge productive partnerships that have enabled them not only to improve their capital base, but also to find markets for their products. The result has been improved performance and significant contribution to the improvement of living conditions among members and sometimes the community as well. This is evidence that neo-liberalism has had some positive side by rekindling solidarity in cooperatives, which, in turn, are improving living conditions in Africa.*

**KEY WORDS:** Neo-liberalism; African Development; Social Economy; Solidarity; Cooperatives

### INTRODUCTION

The trajectory of African development is a story of shifting paradigms that have basically oscillated between egalitarianism and capitalism. Whereas African development in the pre-colonial period was generally guided by egalitarianism, the colonial period introduced capitalism, which is based on individualism. The brief cold war

interlude did not witness significant change in the framework for African development, given that most of the continent was swayed to remain allied to the capitalist rather than the socialist ideology. The triumph of capitalism over socialism from the late 1980s firmly put the market and individualism in the saddle of African development, but the results in terms of people's living conditions have not been any better. Living conditions in Africa seem to be worsening by all indicators. This has led to the conclusion that neo-liberalism has been a disaster for African development, which has triggered rethinking the ideology of development in Africa. The result is that the social and solidarity economy is increasingly being considered to be an alternative way for fostering African development; but many observers are not awake to the reality that neo-liberalism has provided a springboard for some components of the social and solidarity economy.

The social and solidarity economy is yet to find a universally acceptable definition, but the concept is generally being used to refer to organizational enterprises that have a specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity. The range of business organizations in this category includes cooperatives, mutual benefit societies, associations, foundations and social enterprises. Being voluntary, self-controlled and democratically governed business associations for satisfying socio-economic needs of their members and the wider community, cooperatives are perhaps the prominent embodiment of the social and solidarity economy. They offer the best institutional framework through which local people can express their solidarity by engaging in productive activities to earn a livelihood and satisfy their socio-cultural needs as well. Participating members tap the energies of solidarity and economies of scale to engage in economic activities that they would not have otherwise been able to carry out on their own, thereby enhancing their chances of improving their living conditions. It is in this regard that cooperatives have long been recognized to play important roles in society that translates into the improvement of living conditions of their members, particularly the low-income earning cadres of the population, as well as contribute to the development of the society at large (Ofeil, 2005: 14).

Nevertheless, the history of cooperative development in Africa has left a mixed conception of these institutions. Whereas some members of these organizations regard them neither to be voluntary nor their own, but extensions of the government; others view them as capitalist extensions of the market that are dominated by a class bent on exploiting the poor farmers. This contradictory conception of cooperatives has partly contributed to the seemingly ambivalent participation of members in the activities of cooperatives in Africa. It is this kind of participation that has led some observers to wonder whether cooperatives in Africa can indeed foster the social and solidarity economy that they are conceptually part of. Intrigued by such misconceptions and doubts as to whether cooperatives are part of the social and solidarity economy, this paper attempts to trace the fall of solidarity, and therefore the half-hearted participation, in African cooperatives and show the contribution of neo-liberalism to the on-going rekindling of solidarity in, and revitalization of, cooperatives to effectively contribute to socio-economic development on the continent.

Using the available secondary data, it is argued that though cooperatives are essentially elements of the social and solidarity economy, state control over the cooperative movement eroded the solidarity of cooperators in Africa. State control eventually ended with neo-liberalism, which initially had undesirable consequences for African cooperatives; many of them collapsed in the face of the competitive market. However, with time, the vagaries of the market have conditioned members of cooperatives to re-invent their solidarity to take up challenging economic ventures to satisfy their economic and socio-cultural needs. Accordingly, many cooperatives are increasingly regenerating their solidarity to reclaim their place at the market and contribute to African development.

To this end, cooperative structures that have been rendered redundant by the market are increasingly being abandoned and/or replaced by new ones that strengthen the social and solidarity economy. Cooperatives are also diversifying their activities in order to respond to the challenges of the market as they endeavour to satisfy the interests and demands of their members. Those cooperatives that have adapted to the new economic environment, the number of which continue to rise in many countries, are recording better performance than they did before the liberalization of the economy. Such cooperatives have clearly reinvented the business wheel that they had lost to state control. This is evidence that neo-liberalism has had some positive side by rekindling solidarity in cooperatives, which, in turn, are improving living conditions in Africa.

The paper is organized into three main sections. The first section attempts an analysis of the fall of solidarity in African cooperatives by reviewing the history of cooperative development from the colonial period to independence. The second section examines the impact of neo-liberalism on the performance of cooperatives and the subsequent forging of solidarity by cooperative members to revitalize their organizations. The last section attempts to present evidence on the improved performance of the revitalized cooperatives and their contribution to socio-economic development in Africa.

## **THE DEVELOPMENT OF COOPERATIVES WITHOUT SOLIDARITY IN AFRICA**

### **The Colonial Origins of Cooperatives without Solidarity**

Cooperatives in most African countries have their origins in the colonial period. The colonial governments instrumentalized the formation of these organizations for the purposes of achieving the interests of the colonial state, rather than the interests of the colonized people (Develtere, 1994). The main intention in establishing these organizations was to enable the government implement its socio-economic policies. For instance, the British, particularly in their settler colonies, wished to promote and protect the interests of white settler farmers, so as to enhance productivity in order to generate the income needed to run the affairs of the colonies and also to export cash crops to Britain that were required to fuel industrialization. Therefore, cooperative development started among white expatriate farmers as a means of improving their productivity. The colonial state subsequently provided the initial legal framework to spur cooperative development, which excluded African participation until after the Second World War (Hyden, 1973). As exclusive enterprises of white farmers that largely functioned under the whims of a colonial government that envisaged segregation within society, cooperatives were neither serving African interests nor an expression of the solidarity of the people.

Similarly, the French wished to use cooperatives to implement their policy of “assimilation”, which sought to transform Africans into Frenchmen. To this end, cooperatives were regarded as modern institutions that could help to civilize and modernize Africans. It was for this reason that the French imperial government passed a Decree on 29<sup>th</sup> June 1910 that prescribed the establishment of cooperatives, formerly known as provident societies, in the French colonies of West Africa (Munkner, 1989). Among other things, cooperatives were expected to modernize society by keeping a stock of selected goods; supplying farm implements; processing agricultural produce; serving as insurance against disaster and accidents; granting loans; and improving agricultural production methods. At that point in time, the “modernization” that cooperatives were intended to advance was at odds with the African culture and heritage that the people cherished, for which they suffered throughout the colonial period for celebrating it. Clearly, cooperative organizations in Francophone Africa were serving the interests of the colonial administration and they had nothing to do with the solidarity of the African people.

In the Belgian territories, the colonial administration, out of its benevolence, allowed Africans to form cooperatives to generate income for the established “tribal” administrative structures in the 1920s. However,

when the enterprises of African cooperatives developed to the point of competing with the private Belgian entrepreneurs in the 1940s, the colonial administration quickly reviewed the policy on African cooperative development and restricted their activities to the social, educational and agricultural sectors in order to protect Belgian interests. Hereafter, African cooperatives were strictly controlled by the colonial administration, to the point of fixing the prices that cooperatives could pay their members for their agricultural produce, which were lower than what private entrepreneurs paid for the same produce. Naturally, African cooperatives would lose out on the business front since producers would sell to the private entrepreneurs. The cooperatives were, therefore, conditioned to serve Belgian interests rather than advance the solidarity of Africans (Develtere, 2008).

These few examples from the major colonial powers demonstrate the disconnection between the original motivation to form cooperatives and the interests as well as the solidarity of the African people. The organizations were not formed out of local people's solidarity, but the drive to satisfy external interests. The colonial powers were largely driven by the goal of maximizing benefits to the colonial state and the metropolitan economy. Cooperatives in this context were established as a government instrument for maintaining the existing imperialist socio-economic relations and only gradually introduce the natives to the extremely controlled export-oriented market economy (Develtere, 1994: 48). Cooperative development was, therefore, directed using a 'top-down' approach by the colonial state, which failed to engender people's solidarity to start and democratically manage viable enterprises to satisfy their own interests.

#### **The absence of Solidarity in Cooperative Development after Independence**

This rationale for cooperative development was unfortunately retained at independence. Most African countries continued with the colonial framework that enabled the state to intervene in cooperative affairs, thereby enabling it to control cooperative development. African leaders needed to control cooperatives due to their conviction that cooperatives were important instruments for developing new states that did not have adequate resources and were characterized by socio-economic diversity. The perceived potential of cooperatives to mobilize local human resources, to serve the entire nation and to transcend the existing class and/or ethnic divisions, saw cooperatives promoted by governments as part of their populist-nationalist strategy for nation-building. Aid agencies were also keen to promote cooperatives due to the same rationale of national economic development.

With such confidence in the cooperative movement, governments created and strengthened administrative structures specifically to spearhead cooperative development. In some countries, cooperative legislations were also enacted to regulate the development of these organizations and assign them prominent roles in the development process. While in most cases the role of promotion, control and guidance of the movement was vested in special cooperative development departments or ministries, state participation in cooperative affairs became a matter of general government policy (Develtere, 2008). Subsequently, the state quickly brought cooperatives under its control, not just to promote economic development, but also to create jobs for political supporters and use them for other political ends (Muenkner and Shah 1993: 16).

The evolving partnership between the state and cooperatives saw these organizations given special privileged monopolistic positions in their respective economic activities. For instance, in Kenya, Uganda and Tanzania, the governments set up Statutory Marketing Boards to manage the export of cash crops like coffee, cotton and pyrethrum. Cooperatives were made the sole agents of these Boards and were mandated to buy the produce from the farmers and process it for export. Though cooperatives received little from the Boards for their

services, such a monopolistic position ensured their survival; for it became the responsibility of the farmers to join the cooperatives if they were to sell their produce. Moreover, state-sponsored agricultural credit schemes were also administered through these cooperatives, which provided another incentive for farmers to join cooperatives. To some extent, farmers were being given incentives to join cooperatives rather than joining the cooperatives out of their solidarity to solve felt problems.

In some countries, governments shifted from the initial incentive-oriented policy on cooperative development to outright coercion. Though cooperative development was supposed to be both voluntary and rapid, it was felt that running them on voluntary basis was slowing down the pace; hence the resort to coercion. For instance, in Benin, Rural Renovation Cooperatives (*coopératives d'aménagement rural*) were established in 1961 by law and put under the tutelage of the state for the cultivation of food crops. In Tanzania, the implementation of socialism saw the state take over sixteen cooperative unions and hundreds of societies in 1967. Membership to rural cooperative societies was also made mandatory. In Burkina Faso, access to cultivable state land was reserved for those who accepted membership of a cooperative. In this sense, the cooperative movement completely lost its voluntary character and strictly became subject to political and ideological imperatives of the state. In many countries, this was enhanced by a number of strategic political measures: cooperative leaders were co-opted by the political system; the movement was used as a dispenser of patronage; competitive cooperative movements were not allowed; and cooperative apex organizations were not allowed or had to work under the tutelage of the state or the dominant party.

Whereas this partnership between the state and cooperatives resulted into tremendous growth in membership and number of cooperatives, the movement lost its voluntary and bottom-up character that would have strengthened people's solidarity and put the members in charge of their organizations. In their monopolistic position, cooperatives ceased to reach out to the members, as it was up to the members to join the organizations. In return, members' morale to participate in the management of cooperatives declined, with some considering cooperatives not to be their organizations, but part of the government. Consequently, it became necessary for the government to enhance supervision over the activities of cooperatives to ensure their prudent management. Unfortunately, the rapid expansion of the movement far outstripped the capacity of government cooperative officers to supervise. Low literacy rates in society and amongst cooperative management committee members meant that supervision of technical operations was beyond their capabilities. In any case, people of questionable motives, integrity and competencies who opted for cooperative leadership and was politically aligned to the state elite could stand elected. In that way, floodgates for nepotism, corruption, mismanagement and financial indiscipline were opened to the cooperative movement. In the circumstances, the role of cooperatives as policy instrument for rural development begun to fade. However, the potential contribution of cooperatives to development rendered them too important to be allowed to close business. Unfortunately, state efforts to salvage them usually resulted in greater government control (Hussi et al., 1993). Such control was enhanced by the preference of international donors to support the cooperative movement through the government. Donors like the Nordic cooperative movements, as well as the American and Canadian credit union movements funded African cooperatives through the governments of respective countries, thereby enhancing the resource influence of the state over the cooperative movement.

By the 1970s, it was already apparent cooperative development under state control was not yielding expected social and economic outcomes. Studies commissioned by the United Nations Research Institute for Social Development (UNRISD) found that most of the activities of cooperatives were irrelevant to the wider context of social and economic change. While the aims of agricultural cooperative policies were commonly directed



towards self-reliance; agricultural innovation and increased productivity; social and economic equalization; and structural change, the UNRISD study found that cooperatives did little to contribute to the achievement of these objectives. In many cases, cooperatives reinforced existing patterns of exploitation and social stratification or introduced new forms of inequality. The poor had seldom been reached by the cooperative programmes under review; the position of women in cooperative development had not improved; and the means of production had not come under the control of ordinary cooperative members. The researchers also concluded that in terms of agricultural innovation and increased productivity, no impressive achievements had been made (Apthorpe, 1970; 1972; Fals-Borda et al, 1976). The general policy conclusion of the UNRISD team was that cooperative development in Africa needed a new direction.

Despite this critical revelation, there was little effort to change the approach to cooperative development in Africa. Though it attempted to portray cooperatives as voluntary organizations and to encourage “spontaneous” participation in these organizations, the state continued to direct cooperative development. External development agencies in conjunction with governments continued to use cooperatives as mechanisms for implementing their projects (World Bank, 1986). Whereas cooperatives continued to serve donor organizations as instruments for channelling grants to recipients, they also served governments by acting as collecting agents for agricultural produce on behalf of state marketing boards, as well as providing distribution channels for agricultural inputs (Braverman et al, 1991).

As government agents, cooperatives were subjected to price controls for agricultural produce, which could not enable them to realize sufficient returns or profits from their operations. Their share capital or membership fee payments were minimal or completely nonexistent. This led to undercapitalization of the cooperatives, with a severe dependence on external funding. Political patronage further eroded the autonomy and economic rationale of the cooperatives as their members and leaders developed a highly opportunistic, passive and instrumental attitude (Holmen, 1990). This, together with the profit constraints, led to widespread inefficiencies, mismanagement and irregularities that completely crippled any solidarity that might have been in the movement.

By the end of the 1980s, cooperatives’ financial base had been severely eroded that these organizations could hardly survive without state and/or donor support. With the liberalization of the economy in the early 1990s, many observers and analysts feared that cooperatives would not withstand the competition associated with the capitalist market (Hussi et al, 1993; Porvali, 1993; Birgegaard & Genberg, 1994). Now that the neo-liberal prescription has been fully implemented, it is opportune to revisit these fears and establish the impact of these economic reforms on cooperative development in Africa. The pertinent question here is whether cooperatives have engendered people’s solidarity or they have succumbed to the individualistic tendencies of neo-liberalism.

## **NEO-LIBERALISM AND THE RISE OF SOLIDARITY IN COOPERATIVES**

### **Liberalization of the Cooperative Movement**

The triumph of neo-liberalism over communism that marked the end of the cold war at the close of the 1980s decade provided the conditions under which Structural Adjustment Programmes (SAPs) would flourish. SAPs were essentially economic reform policies, which sought to rectify economic imbalances in African countries by reallocating responsibilities and resources from the state to the market in order to facilitate the emergence of a market-oriented economy. This was based on the neo-liberal assumption that development problems in Africa were due to the dominance of an inefficient state in the economy and an “underdeveloped” market, both of

which had curtailed the freedom of individuals to realize their potential. SAPs were, therefore, meant to retrench the state from the national economy and let the market allocate social and economic services.

The policies and measures to this end included, among others, the privatization of public enterprises; removal of subsidies on the provision of public goods and services; liberalization of internal and external trade; free foreign exchange regimes that resulted in severe currency devaluation for purposes of promoting external trade; introduction of “cost-sharing” for state supplied services; and restructuring government institutions, including retrenchment of staff in the public service (Bangura and Gibbon, 1992: 7). These measures necessitated several changes in cooperative development in Africa.

Firstly, the state had to withdraw its traditional supportive role to cooperatives in order to remain in tandem with the spirit of liberalization. In many countries support services like audit, supervision and management training were the first to be withdrawn by the state. However, there was no contingency plan to replace these support services with an alternative institution that could perform the functions. It was assumed that the free market would automatically respond to demand for these services by cooperatives. These measures were followed by reducing the size of the government cooperative development departments, which previously provided the withdrawn services (ICA, 1996). The expectation was that cooperatives would henceforth organize themselves for the provision of these services or seek the same from the market.

Secondly, in many countries, the state restructured the legal framework of cooperatives to give the movement complete autonomy, in order to allow them to fit in with the emerging competitive market economy. This could only be done through legal reforms that promoted the development of cooperatives in tandem with the International Cooperative Alliance (ICA) co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community. It was envisaged that this would make the management of cooperatives democratic and professional, and thereby transform them from dependent organizations to self-controlled and self-reliant business associations capable of competing with other private enterprises in the market.

Thirdly, the liberalization of the market attracted new actors in economic sectors that cooperatives had previously enjoyed monopoly status. The market now comprised of many sellers and buyers, who were guided, not by ownership, but by efficiency, competitive pricing and transparency. For instance, in the agricultural sector, the marketing transaction process radically changed. Previously, the ownership of the produce rested with the state marketing board, which then temporarily delegated the same to cooperatives during the processing and marketing of the produce. Thus, cooperatives could claim ownership of the produce until the point of export when ownership reverted back to the marketing board. But in the liberalized market system, the ownership of produce became rather disjointed. An individual farmer owned it up to the point he/she sold it to the next owner, who could be a private buyer or a cooperative society (ICA, 1996: 10). Cooperatives had, therefore, to compete with other players to buy and sell agricultural produce if they were to remain in business.

This new transaction process had far reaching implications for the cooperatives. For instance, since membership in agricultural cooperatives was previously motivated by the desire to get access to the only marketing channel for sale of produce, the availability of several market channels in the new era could significantly reduce cooperative membership as some members could opt to sell their produce to alternative buyers. Similarly, cooperative societies previously found it necessary to join cooperative unions in order to find a channel for primary processing and marketing of members’ produce. With private buyers playing this role, societies could easily find no reason to belong to a cooperative union, especially a mismanaged and malfunctioning one. The ultimate end of such possibilities could go either way for cooperatives: failure to survive the competition or

successful business organizations. The question that has gone unanswered relates to how this new environment has worked for African cooperatives.

### **The Immediate Effect of Liberalization on Cooperatives**

It needs to be recalled here that by the time the cooperative movement was liberalized, most of the cooperatives in Africa were financially unstable and some had already become insolvent. The many problems that cooperatives faced included the persistence of their low business efficiency; weak capital base; heavy indebtedness and limited credit-worthiness; the weak entrepreneurial capability of managers and board members; and the unbalanced organizational structures of the movement (Birgegaard and Genberg, 1994). The liberalization of the economy and the movement presented further challenges that resulted into the collapse of many cooperatives.

One of the immediate challenges to cooperatives in most countries that resulted from liberalization was the management of the new-found independence from the state. With the end of strict state supervision, cooperatives were left without a regulatory mechanism to play the role that the government had previously played. The newly acquired freedom was dangerously abused by elected leaders to the detriment of many cooperative societies. Cases of corruption; gross mismanagement by officials; theft of cooperative resources; split of viable cooperatives into small uneconomic units; failure to surrender members' deposits to cooperatives (particularly in SACCOs) by employers; failure to hold elections in cooperatives; favouritism in hiring and dismissal of staff; refusal by management committee members to vacate office after being duly voted out by members; conflict of interest among cooperative officials; endless litigations; unauthorized cooperative investments; and illegal payments to the management committees were increasingly reported in many cooperatives across the continent. Such problems were more demoralizing than building the solidarity of the members to operate their enterprises. Consequently, many cooperatives, especially in those countries where the state did not take urgent corrective measures, closed down.

Furthermore, the lack of financial resources to provide services to their members meant that some members would naturally seek similar services from other providers that had now been permitted to trade. As already pointed out, the market now comprised of many sellers and buyers, who were guided by efficiency, competitive pricing and transparency. Many are the members of cooperatives that trooped from their mismanaged and malfunctioning cooperatives to find alternative markets for their produce. For example, in Uganda the retreat of the state and the emergence private entrepreneurs, particularly in the marketing of agricultural produce, led to the collapse of many primary cooperatives and cooperative unions. With private buyers of agricultural produce offering better prices and paying farmers promptly for their produce, member commitment, participation and loyalty to their cooperative societies drastically declined. With little incentive from the cooperative (such as better prices, increased efficiency, benefits of economies of scale and/or access to agricultural credit), members were simply looking for a buyer to purchase their produce at competitive prices (ICA, 1996: 11-14). The end result was that members ceased to market their produce through primary cooperatives.

At the same time, the few primary cooperatives that managed to retain their members by offering better services found doing business with their cooperative unions rather exploitative. Due to insolvency, the unions paid lower commissions to primary cooperatives, which were inadequate to cover the operational costs of the services that they rendered. At the same time, primary cooperatives were at liberty to sell the produce to any willing buyer on the market. In the circumstances, many primary cooperatives stopped doing business with cooperative unions. Cooperative societies increasingly viewed their unions as "dead institutions and [were] happy with liberalization because it [had] offered them better marketing channels, as well as [the possibility of] absorbing



poor quality produce traditionally rejected by cooperative unions” (ICA, 1996: 14). With the loss of such members, cooperative unions naturally collapsed.

The immediate collapse of cooperatives and increased malfunctioning of others triggered a corrective response from both the state and the cooperative movement itself. In most countries, state response tended to be reactionary in nature and it consisted of either reintroducing strict control or revision of the legal framework to streamline the regulatory framework. Kenya perhaps provides the best example with regard to streamlining the regulatory framework. In response to the cooperative leaders’ abuse of office that resulted from the end of strict state supervision, the Government amended the 1997 Cooperative Societies (Amendment) Act in 2004. The main content of the 2004 Cooperative Societies (Amendment) Act was to re-enforce state regulation of the cooperative movement through the office of the Commissioner for Cooperative Development. The legislation stipulated the role of the government as creating policy and legal framework for the development of cooperatives; improving the growth and development of cooperatives by providing the requisite services for their organization, registration, operation, advancement and dissolution; and developing partnership in the cooperative sector through consultation with co-operators on policies, legislation and regulation. However, registration of cooperatives continued to be the main role of the Commissioner for Cooperative Development. The requirements and procedure for registering cooperatives were subsequently spelt out in the revised Cooperative Societies Rules of 2004, which also outlined the operational procedures of all cooperative societies in Kenya (Wanyama, 2009).

Whereas the state was responding to the collapse of cooperatives in this manner, the cooperatives themselves responded by reasserting their solidarity to find lasting solutions to the crisis. Many of them seized the opportunity offered by liberalization to reinvent their business wheel by re-examining their organizational structures and diversifying their activities. It is important that we now turn to these measures by the cooperative movement itself that constituted the revival of the African cooperative movement.

### **The Rise of Solidarity and Structural Reorganization of Cooperatives**

As already alluded to, there was path dependency in cooperative development in Africa. The colonial powers imposed on Africa their home country’s models of cooperatives, which influenced the structural organization of the cooperative movement in most of the countries on the continent. The British introduced a vertical and hierarchical cooperative ‘movement’ that was based on a unified cooperative law derived from the British Industrial and Provident Society law and the Raiffeisen cooperative banking model. They set up an elaborate three- or four-tier structure of primary cooperative societies, cooperative unions, district and provincial unions, and national federations (Birchall and Simmons, 2010: 470). The end result was what Develtere (2008) described as the “unified model” of cooperative organization.

The French did not set up multi-tiered hierarchical cooperative structures, but instead promoted cooperative development through general administrators rather than specialized personnel, and each type of cooperative was under the supervision of a different ministry: agricultural cooperatives under the ministry of agriculture, credit cooperatives under the ministry of finance, and so on. Consequently, the French cooperative law that allowed the founding of autonomous cooperatives resulted into the prevalence of a horizontally structured cooperative movement despite the 1955 Decree that introduced a supervising authority similar to the British Registrar of Cooperatives (Muenkner and Shah 1993). Following the French government’s interest in harnessing mutual societies to centrally-designed rural development schemes (Develtere 1994), the French territories in Africa ended up with the “social economy model” of cooperative organization (Develtere, 2008).

The Belgian model was based on a very liberal cooperative legislation in their home country that allowed the formation of public cooperative companies that were a hybrid of municipal and cooperative enterprises

(Birchall and Simmons, 2010: 471). The result was the adoption of the “social movement model” of cooperative organization that was a loose coalition of private enterprises, workers’ unions and farmers’ movements (Develtere, 2008). The initial resultant structure was a loose horizontal network of partners in a business venture. However, after the Second World War, they began to develop more along the British-Indian system, creating special cooperative departments and introducing large agricultural cooperatives. As in the French colonies, they were paternalistic, top-down structures with provincial governors fixing the prices that cooperatives would pay their members for produce; appointing education committees and advisors; and district commissioners appointing cooperative management committees (Muenkner and Shah 1993).

Finally, with regard to the Portuguese, cooperatives were regarded to be extensions of state enterprises that promoted export trade. Consequently, agricultural cooperatives were ‘merely functional appendages of rural extension work of semi-public agencies’ such as cotton and coffee marketing boards (Develtere 2008).

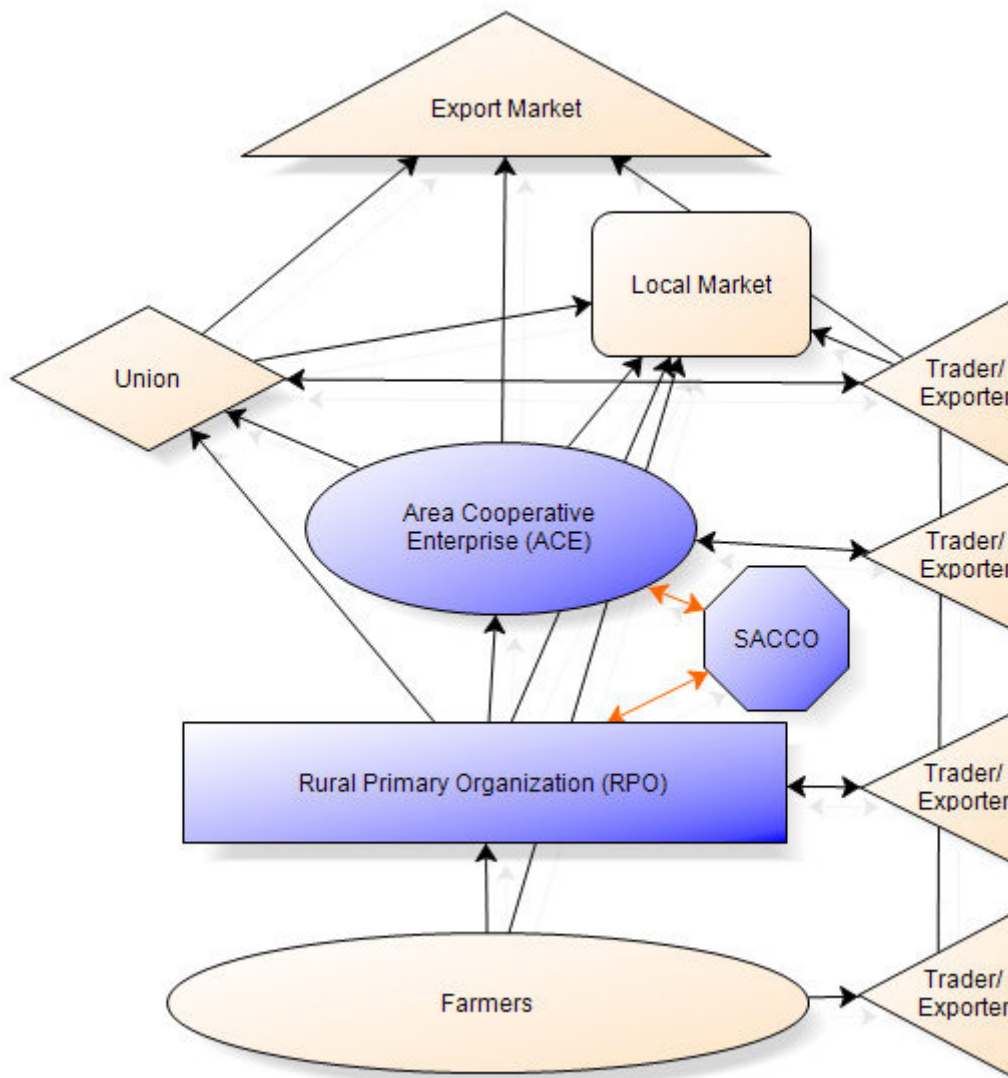
Despite this seeming variation in the structural organization of the various cooperative models across Africa, all of them were found inappropriate for cooperative development in the neo-liberal era. In Anglophone Africa, the inability of cooperative unions and federations to offer expected services to members generated stronger solidarity among members of cooperative societies to survive the capitalist wave. This new-found solidarity led to the creation of new cooperative unions and federations altogether, resulting into the structural reorganization of the cooperative movement.

Uganda provides one of the best examples of this solidarity-led structural reengineering of the cooperative movement. Before the liberalization of the cooperative movement in the 1990s, agricultural cooperatives in Uganda were organized in a vertical and hierarchical structure, with farmers at the lowest level selling their produce to the primary societies and then the primary societies sending it to the unions. The unions sent the produce to the marketing boards, which had the responsibility to find export markets for it. Following the adverse impact of liberalization on cooperative unions, grassroots community-based organizations, parish farmers associations and other smaller farmer groups regenerated their solidarity and organized themselves into Rural Producer Organizations (RPOs). RPOs are located at the village or parish level and they act as cooperative societies where produce to be sold by individual members is bulked and marketed collectively.

In order for PROs to marshal bargaining power in the pricing of produce, a number of RPOs in a sub-county merged to form an Area Cooperative Enterprise (ACE) to act as smaller cooperative unions for the RPOs. The ACE looks for better markets for members’ produce and bargains for higher prices. The ACEs have the option of marketing produce to any of the many buyers on the market, including individual traders and international organizations, with the objective of obtaining competitive prices for farmers’ produce. An ACE may also trade with a cooperative union of which it is a part, provided that the union offers a competitive price. Both the RPO and the ACE may register as members of the union and trade directly with it.

An important aspect of this restructured cooperative organization is the linkage between RPOs, ACEs and Savings and Credit Cooperatives (SACCOs), which provide credit facilities to improve productivity. In this system, the RPOs, consisting of individual producers, supply produce to the ACE; which looks for markets for the produce. The SACCOs provide financial assistance to the farmers, who are registered members of the SACCO, and to the ACE. Members can access loans from the SACCO using the produce that they supply to the ACE as security. Payments after sales of produce are made to the individual SACCO accounts of farmers. This system works like a micro-warehouse receipt system. Figure 1 below represents the resultant new agricultural marketing cooperative structure in Uganda.

**Figure 1: The New Agricultural Marketing Cooperative Structure in Uganda**



**Source:** Kwapong and Korugyendo, 2010: 2.

In other Anglophone countries that did not witness such a radical transformation of the cooperative structure, the ineffective and inefficient cooperative unions and federations were still re-examined, some of which were replaced with new ones. For instance, in Kenya, the Kenya National Federation of Cooperatives (KNFC), the apex cooperative organization had failed over the years to make the presence of the cooperative movement visible. Though KNFC was formed in 1964 to promote cooperative development by serving as the spokesman of the movement on all matters of policy and legislation, poor management over the years had seen it deviate from its core business into other activities like auditing, education and training as well as research and consultancy that were already being performed by some of its members. The liberalization of the cooperative movement worsened matters for the falling giant as corruption and ethnicity became the main driving forces in the election of the board of directors and appointment of chief executives. With a high turnover of staff partly due to these vices, many cooperatives disengaged from KNFC. By 2005, its membership had shrunk from over

8,000 to just over 600 and the institution had become bankrupt that it could not pay its workers (Wanyama, 2009: 9-10).

Between 2005 and 2010, the new spirit of solidarity in the cooperative movement generated a major drive to revive KNFC. Several consultative meetings among national cooperative organizations, cooperative unions and some cooperative societies were held to deliberate on how to revive the apex organization. When it became apparent that the debts of KNFC were overwhelming and they were dragging back cooperative development, the movement opted to liquidate KNFC and form a new apex cooperative federation called the Cooperative Alliance of Kenya (CAK) in 2010. Thus, in Kenya, a malfunctioning and ineffective federation was abandoned and in its place, a new more efficient one formed to drive on the revival of the cooperative movement; thanks to the new spirit of solidarity in the face of neo-liberalism.

The spirit of solidarity that was behind the reorganization of cooperatives in Africa did not just involve restructuring the existing federations, but also the creation of new federations in countries where there were none. The best examples in this regard come from Rwanda and Ethiopia where there were no vertical structures to integrate the cooperatives into a single movement. In Rwanda, rice farmers formed the Rice Cooperative Union (UCORIRWA) not just to mobilize farmers to improve their productivity, but also to play the role of negotiating better prices for members' produce with the government. Though Ethiopia had not established secondary and tertiary cooperative structures by 2008, coffee farmers in Oromiya formed the Oromiya Coffee Producers Federation to represent their interests in the national and international marketing of coffee (Develtere and Pollet, 2008).

Yet another trend in the reorganization of cooperatives is the recent tendency towards integrating cooperatives with other economically active group-based organizations as the reorganization of agricultural marketing cooperatives in Uganda has shown. Unlike in the past where members were compelled to join cooperatives and were mainly motivated by economic gains, cooperatives are increasingly trying to incorporate social values as well. Members tend to have a group identity and participate in the associative life of the cooperative, as envisaged in the holistic social economy model. It is increasingly being accepted that solidarity is crucial for business operations in cooperatives, because it enhances contacts and interactions between and among members, directors and the management; which provides a business environment that fosters loyalty and trust. Consequently, some cooperatives are now investing a lot in development of horizontal networks, which provides members with a "value-added" motive for loyalty. For example, the Menshat Kasseb Cooperative in Giza, Egypt not only processes and markets the members' produce, but also provides training courses, home economics lessons to female members, health care and special assistance to small and poor farmers (e.g. subsidized shipping of produce to markets). Thus, the emerging cooperatives are inclined towards defending the individual and collective interests of the community they represent (Defourny, Develtere and Fonteneau, 2001). Perhaps this trend is the clearest response of cooperative solidarity to the adverse individualistic and anti-social consequences of neo-liberalism.

On the whole, the indication is that liberalization has given cooperatives the freedom to reexamine their organizational structure, with a view to meeting their own needs and interests, rather than the interest of the state. The individualistic tendencies of neo-liberalism and their adverse consequences especially for the poor are also leading people to regroup and regenerate solidarity to help each other survive the market forces. In turn, cooperatives are embracing, unlike in the past, the ICA cooperative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community.

### **Diversification of Cooperative Ventures to Stay on the Market**

The history of cooperative development on the continent illustrates that agriculture and credit were the “traditional” sectors of cooperative ventures in many African countries, with the latter mainly servicing the former. This arrangement saw the proliferation and predominance of agricultural cooperatives, many of which were organized around a single economic activity despite the fact that some of them called themselves “multipurpose cooperatives”. This pattern of unifunctional cooperatives operated in tandem with the monopolistic status that the state had afforded these organizations. Certain cooperatives dominated the handling of specific agricultural produce like coffee, cotton, cocoa, pyrethrum and dairy, among others.

Nevertheless, the loss of the monopoly status, coupled with the business-oriented demands of the market, is increasingly seeing cooperatives redesign their activities competitively. For instance, though the agricultural sector remains dominant in the cooperative ventures of most countries, agricultural activities that are no longer profitable (such as cotton and pyrethrum in Kenya) are increasingly being abandoned by smallholder farmers in favour of those that are viable within a competitive market (such as dairy and savings and credit). Cooperatives that previously monopolized the marketing of the current unprofitable crops are responding to such actions by embracing provision of alternative services that farmers may still require in their new ventures.

This move towards the diversification of ventures partly explains why the continent is witnessing substantial growth of cooperatives in the financial sector. In many countries (Kenya, Nigeria, Niger, Rwanda, Cape Verde) saving and credit cooperatives (SACCOs) are becoming the second largest cooperative sector, while in some countries they are financially the strongest. For example, in Kenya agricultural cooperative had a total turnover of Kshs. 8.460 billion (US\$. 112.8 million) in 2007 while SACCOs pooled a combined turnover of Kshs. 14.409 billion (US\$. 192.1 million) in the same year. Indeed, SACCOs currently stand out as the most vibrant in the country rather than the agricultural marketing cooperatives that were dominant up to the end of the 1980s. The declining performance of agricultural cooperatives has seen the income of crop farmers dwindle over the years, a situation that has triggered some of the cooperators to come up with innovative cooperative ventures in this sector. For example, about 20 dairy cooperatives in Kenya have set up their own milk cooling and/or processing plants to add value to farmers’ produce and earn higher income rather than just marketing raw fresh milk (Wanyama, 2009: 21-22).

In Senegal over half a million people belong to one of the three largest savings and credit movements (Develtere and Pollet, 2008). In Rwanda, 398,799 persons or 12 per cent of the adult population are affiliated to the Union of People’s Banks (*Union des Banques Populaires*). In 2004, their collective savings totaled some 44 million USD (Nyamwasa, 2008). In the same year, the 250 cooperative societies affiliated to the Ghana Cooperative Credit Unions Association served over 156,000 cooperative shareholders, who had deposits of over 314 billion Cedis (approximately \$34,696,133 USD) and benefited from some 262 billion Cedis (approximately \$28,950,276 USD) in loans (Tsekpo, 2008).

Besides the resurgence of SACCOs, cooperatives are also increasingly venturing into other “non-traditional” sectors including housing, consumer, cottage industry and distilleries. For example, in Senegal, housing cooperatives are increasingly becoming strategic organizations for marginalized migrants in the suburban periphery of Dakar. Such migrants are tapping their solidarity to create housing cooperatives to ease their shelter problems in Dakar (Fall, 2008). Following trends towards urbanization, housing cooperatives also have a marked presence elsewhere in Africa. For instance, Ethiopia alone has up to 3,400 housing cooperatives (Lemma, 2008), while Egypt has almost 2,000 housing cooperative societies with a membership of two million (Aal, 2008).



The presence of consumer cooperatives is also increasing. In Cape Verde, two thirds of cooperatives consist of consumer cooperatives (Mendonca, 2008). In Egypt, this sector is equally growing as fast, with a consumer cooperatives' federation reporting membership of 4,320 consumer shops (Aal, 2008). A more recent development is the growing number of handicraft, cottage industry and other small productive cooperatives like distilleries in some countries like Ethiopia, Ghana, Kenya and Egypt.

In addition, cooperatives are further diversifying their businesses by taking on other activities as demanded by members as well as the market forces. For instance, agricultural cooperatives are increasingly adding savings and credit activities to their portfolios, as is the case in Uganda, Ghana, Egypt and Kenya. To this end, cooperative ventures in Africa are increasingly becoming market-driven and responsive to changing circumstances.

More than ever before, cooperatives are invariably functioning as demand-driven and market-oriented businesses, thanks to the new-found solidarity of the members to solve the challenges that they are encountering. This spirit of solidarity for mutual self-help has seen cooperatives seek market niches and marketable products; invest in quality management; and their pricing and interest rate policies are increasingly being inspired by the prevailing market conditions, rather than state policy as was the case in the past. Some cooperatives are now hiring professional staff and have put in place personnel retention policies, to strengthen the management system so as to face the challenges of a competitive market. It is in this regard that both management and members are now increasingly showing preference for a growth oriented approach in terms of asset base, business turn-over, market share and profitability (Yeboah, 2005; Tesfaye, 2005).

## **COOPERATIVE PERFORMANCE AND CONTRIBUTION TO DEVELOPMENT**

The rise of the spirit of solidarity and the subsequent revitalization and restructuring of the cooperative movement in Africa is steadily witnessing improved cooperative business performance and contribution to development. This is evidenced by the many cooperative ventures that have not only improved profitability, but have also initiated new business innovations that are affording their members a livelihood. The many examples of successful cooperatives across the continent illustrate this point.

Starting from the eastern side of the continent, Kenya has a long list of successful cooperative ventures that did not only survive the neo-liberal onslaught, but were actually supported by this new economic environment to improve their performance and contribution to development. Among the best examples of cooperatives that survived liberalization is the Cooperative Bank of Kenya. The Cooperative Bank has not only been instrumental in providing banking services to the entire movement, but has also been the source of affordable credit to the cooperative movement. With a capital base of over Kshs. 18.05 billion (US\$. 240 million), an asset base of over Kshs. 165 billion (US\$. 2.2 billion) and employing over 1,400 staff, the Cooperative Bank is the third largest bank in Kenya. Its continued good performance may be exemplified by its rising profitability. Whereas its profit before tax in 2009 stood at Kshs. 3.74 billion (US\$. 49.87 million), it grew to Kshs. 5.77 billion (US\$. 76.93 million) in 2010 and to Kshs. 6.36 billion (US\$. 84.8 million) in 2011 (Cooperative Bank of Kenya Ltd, 2012). These are clear indicators of remarkable profitability by the Bank, which has not just afforded members a return on their investment, but has also created employment opportunities for many people and facilitated the provision of financial services in the country.

Whereas the success of the Cooperative Bank may be attributed to its ability to adapt to the neo-liberal wave that saw many other cooperatives collapse, there are also cases of cooperatives that were supported by neo-liberalism to thrive. Githunguri Dairy Farmers Co-operative Society (hereafter Githunguri) in Kenya is one of the prime cases in this regard. Formed in 1961 through state initiative, its membership grew from 31 to about

9,000 by 1998. The collapse of the Kenya Co-operative Creameries (KCC), the dairy cooperative union that monopolized the marketing of milk for cooperative societies, in the early 1990s severely affected Githunguri's milk collection activities, as it did not have its own milk processing plant. With difficulties in marketing members' milk, which was its principal activity, the active membership of the cooperative dropped to just about 600. However, the liberalization of the cooperative movement in 1997 helped to improve the fortunes of Githunguri for at least three reasons.

First, liberalization afforded the management committee of Githunguri the freedom and power to hire professional staff to steer the day-to-day management activities. This was possible because the committee, which took office in 1999, had a visionary leadership that took the opportunity to run the cooperative in the interest of members, without state interference. Second, the management committee used its new power to borrow using collateral from the cooperative's property in order to get a loan of approximately 70 million Kenya shillings (about \$1 million USD) from OIKO Credit of the Netherlands in 2003 to build a dairy processing plant. In 2006, OIKO provided a second loan of €670,000 to fund purchase of additional equipment. The desire to build the plant had previously been frustrated by the lack of adequate funds in the midst of state-imposed regulations that prevented cooperatives from borrowing outside the cooperative movement against their assets. Third, Githunguri acquired the freedom to sell its produce to any willing buyer on the market. This was a radical departure from the past, when cooperatives were only allowed to sell milk to the ailing KCC. Located on the outskirts of Nairobi, Githunguri found a ready market for its products in the city.

There has been a tremendous turnaround in the fortunes of the cooperative since the commissioning of the plant in 2004. Membership of the cooperative now stands at over 17,000 and demand by new dairy farmers to join is overwhelming. It has overstretched its capacity that it is reluctantly accepting new members, who must meet membership requirements<sup>1</sup>. The availability of a market for milk, the better prices that the cooperative pays to members for their milk as well as the regular payment for delivered produce have served to improve members' loyalty to the cooperative. Moreover, members enjoy other services like artificial insemination; extension; and animal feeds that are stocked in its 31 stores that straddle its area of operation. These services are available to members on credit that is recovered from the sale of their milk. These activities have seen tremendous improvement in milk production by members, to which the cooperative has responded by offering competitive prices and promptly paying for members' produce.

The cooperative has an annual turnover of over 3 billion Kenya shillings (USD\$. 42.86 million) and collects an average of 170,000 liters of milk per day; up from 25,000 liters in 1999. It has several vehicles for transporting milk that is collected from 41 centers that straddle Githunguri Division of Kiambu District to its plant in Githunguri town. The collected milk is processed into six main branded products that are sold in Nairobi and other towns in the country. The products are pouch fresh milk, yoghurt, ghee, butter, cream, fermented sour milk and long life milk. The market share of these products is estimated at 30% in Nairobi and its environs, and 14% nationally.

The expansive activities of the cooperative are taken care of by a staff of about 300 employees. Low skilled positions are recruited from within Githunguri division, but management staff is sought nationally and appointed competitively on the basis of professional qualifications. Employees have formed a workers union that negotiates a collective bargaining agreement (CBA) with the management of the cooperative for improved

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<sup>1</sup> The requirement for one to qualify to be a member of the society includes: must be from Githunguri Division of Kiambu district; must be over 18 years and of sound mind; must own a dairy cow that can produce milk; and must pay registration fee equivalent to USD\$. 46 and buy the prescribed number of shares of the plant.

remuneration. This is increasingly enabling the cooperative to attract and retain competent staff; relative to the era of state control recruitment of staff was dependent on the discretion of the Commissioner of Co-operative Development (Wanyama, 2008).

This revolutionary trend has also been demonstrated by the fact that Githunguri became the first milk processor and cooperative society in Kenya to be certified in June 2011 as complying with the globally recognized Food Safety Management System based on ISO 22000:2005 standard. The ISO 22000:2005 standard certification means that the cooperative is benchmarking its food chain operations to the highest international level of food safety by systematically identifying, assessing, anticipating and controlling risks arising from biological, chemical and physical hazards along the food chain from the reception of raw materials to processing, storage, distribution and sale.

In West Africa, the case of Kuapa Kokoo Limited in Ghana also provides a compelling argument in favour of the fortunes of liberalization for cooperative development. Having witnessed the decline of the cooperative sector under state control, the pioneers of Kuapa Kokoo capitalized on the opportunities that were created following the liberalization of cocoa marketing in 1992 and set up a market-oriented cooperative organization. Kuapa Kokoo started in 1993 as a limited liability company using a cooperative model, and subsequently was transformed into a sophisticated multipurpose cooperative organization with five main subsidiaries: Kuapa Kokoo Farmers Union; Kuapa Kokoo Limited; Kuapa Kokoo Credit Union; Kuapa Kokoo Farmers Trust; and Divine Chocolate Company. It has about 50,000 farmer members spread in 1,650 village societies, and supplies 10% of Ghana's cocoa production. It is the largest cooperative in Ghana and is often cited as a success story in the field of fair-trade where most of its products are sold.

With regard to its subsidiaries, Kuapa Kokoo Farmers' Union is the primary organization of the cocoa farmers and it is basically a production cooperative. Just as the meaning of its name implies (Kuapa Kokoo simply means "good cocoa farming" in the local *Twi* language), the cooperative embraced fair-trade to enhance better farming practices for the production of high quality cocoa so as to improve the social, economic and political wellbeing of its members. To this end, the role of the Farmers' Union is to produce high quality cocoa that is internationally acceptable. The strength of the Union is its reliance on the solidarity and participation of small-scale farmers that straddle hundreds of villages in Ghana, who are aware that good returns on their farming will depend on the quality of cocoa that they produce in accordance with the fair-trade principles.

Kuapa Kokoo Limited is a licensed cocoa buying company owned by the Kuapa Kokoo Farmers Union. It is the commercial and trading wing of the Union whose role is to buy cocoa from the farmers. It is expected by the members of the Union to operate efficiently in order to provide the farmers with the best services, better price and a share in its profits. The company is managed by professionals who are non-farmers employed by the Board of Directors of the Company to work on its behalf. There is the Managing Director who oversees the management of the various departments.

Kuapa Kokoo Credit Union (KKCU) is a savings and credit cooperative society formed among members of the Farmers' Union. It has about 8,300 members. Like other SACCOs, its main objective is to cultivate the savings culture among its members and provide 'no frills' loans to its members. Loans granted can be either productive loans or provident loans. Productive loans are granted to farmers to maintain their farms or start new farms. Provident loans are granted for social needs like medical bills or payment of school fees. A unique service that the Credit Union provides is redeeming cocoa farms of members that have been mortgaged to money lenders. Since its formation, KKCU has been instrumental in wealth creation among its members. Its financial intermediation and redemption of mortgaged farms have positively transformed the lives of its farmer members.

Then there is the Divine Chocolate Company. In 1997 members of Kuapa Kokoo Farmers Union at their 4th Annual General Meeting resolved to set up a chocolate Company in the United Kingdom to manufacture chocolates using “Papa Paa” (“best of the best” in *Twi* language) cocoa beans produced by members themselves. In partnership with Twin Trading, UK and supported by the Body Shop, Christian Aid and Comic relief, the then Day Chocolate Company was formed in the United Kingdom in 1998, with Kuapa Kokoo owning a third of its shares. Divine Chocolate Company has since grown into a unique fair-trade company with a trading system that allows members of Kuapa Kokoo to own the majority stake in the company and share in its profits. It has extended its business to the United States of America. Members of Kuapa Kokoo are very proud to own shares in Divine Chocolate as it not only gives them a voice in the global trade of chocolate, but it earns them profits that are invested in social projects.

Finally, there is the Kuapa Kokoo Farmers Trust that is a trust company for managing premiums from sales of cocoa to companies abroad through fair-trade. The Trust is regulated by a trust deed and managed by a Board of Trustees composed of farmers’ representatives and representatives of foreign partners who contribute. It receives all general funds meant for Kuapa Kokoo Farmers Union from abroad. The Trust has used these funds in undertaking various social projects after approval by the Annual General Meeting. Among the social projects that have been completed by the Trust include making water wells and boreholes to provide clean water to communities; periodic mobile medical clinics through which doctors and medical staff are taken to the doorstep of the farmer for check-ups and training on preventive techniques to avoid diseases; construction of the unique-styled Kumasi ventilated improved pit toilets in communities; building schools; and improving the living conditions of its members by investing in corn mills, palm oil extractors, and training in soap making and batik for societies to provide alternative means of livelihood during the cocoa off-season (Kuapa Kokoo, 2012).

This sophisticated cooperative organization is a clear example of how the neo-liberal environment has facilitated the emergence of better performing cooperatives on the continent, which have gone a long way to improve people’s living conditions and, therefore, contributed to development. Furthermore, continuous education by the Research and Development Department of Kuapa Kokoo has aided primary cooperatives to consistently improve the living conditions of smallholder farmers. A combination of these services could not be provided by a single cooperative in the era of state control. Such services have made the smallholder cocoa producers to remain loyal to their cooperative and to forge their solidarity to enhance cocoa production. This has seen the cooperative sell 38,000 tons of cocoa per year.

In South Africa, there are many stories of successful cooperatives. However, the story of Heiveld cooperative society, a small organic rooibos tea marketing cooperative in Cederberg region of South Bokkeveld district, is quite fascinating.

In the rural areas of the Western and Northern Cape Provinces of South Africa live the modern descendents of the KhoiSan (“first people”) who have experienced systematic and profound disempowerment by colonial settlers and their descendents and have remained on the economic fringes of society. One of the many legacies of the KhoiSan is their knowledge of rooibos (*Aspalathus Linearis*), an indigenous plant used since pre-historic times to produce a health giving and refreshing beverage. This knowledge was shared with white settlers, who in the 20th Century established export-oriented rooibos plantations. The labour to establish the huge plantations was provided by “Coloured” people, who were prevented from participating in the other benefits of the industry by racially discriminating policies, legislation and other means of exclusion. Those few “Coloureds” who had access to land on which rooibos could be produced (usually on a small scale) were excluded from markets and state support. However, over the years few communities got into rooibos production when the white settlers

abandoned farming it, but it continued to grow wildly. These local farmers, therefore, harvested wild roiboos that grew in the arid and inhospitable regions to earn a livelihood (Oettle, Goldberg and Koelle, 2010).

South Bokkeveld district is one of the few regions where the small-scale “Coloured” farmers have continued to harvest wild roiboos to earn a living. Due to its aridity, low fertility and inhospitable nature, the region is sparsely populated, with just about 1,000 people scattered across the remote rural and rocky terrain. Using their traditional knowledge, these small-scale farmers produce roibos tea (both wild and cultivated) and subsistence crops and practice pastoralism with small livestock. However, due to climatic conditions, they only work on their farms for up to six months and spend the rest of the time as labourers on the neighbouring farms.

In the late 1990s, following the end of apartheid in 1994, the farmers began to organize in an attempt to combat the extreme poverty they were facing. However, the community had remarkably limited experience of collective organization, partly due both to physical isolation and the long history of social and political oppression that actively discouraged collective action. Members of the community requested assistance from a Cape Town-based NGO, the Environmental Monitoring Group (EMG), to help in the organization. EMG helped the representatives of the community to develop six principles for organization. First, that involvement in any project activity should include contribution and benefit. Second, that people’s vision, enthusiasm and contribution should be mobilized before benefits are achieved. Third, that the least advantaged should benefit the most. Fourth, that the project should benefit the local community, and the wider community. Fifth, that everybody undertakes to work together in the spirit of mutual respect. And finally six, that there should be transparency regarding all project documentation (Oettle, Goldberg and Koelle, 2010). In all respects, these organizing principles are similar to the ICA cooperative principles that have been used world-wide in cooperative development.

With the hindsight of these lessons from EMG, twelve smallholder roiboos tea farmers forged their solidarity to form a group in 2000 to establish a facility to process each member’s tea before delivery to a private marketing company, to which some of them were contractually bound. However, there was unhappiness with the price the marketing company paid; members felt they were being exploited by the private marketing company. The cooperative, therefore, opted to try and bargain for a better price by marketing their tea through an agent, under a fair-trade label as organic produce. During the first year of operation, the group leased a facility to process their organic tea and marketed it through the fair-trade agent.

So successful was this arrangement that the following year all members were marketing their tea through the fair-trade agent, and the group realized a substantial surplus. With EMG’s help the fourteen founder members organized themselves into a cooperative business in 2001, and registered the Heiveld Co-operative Limited as an organic roiboos processing and marketing organization. The 100 South African Rands (USD\$15.6) entrance fee contributed by each of the fourteen members gave an initial capital of just 1,400 Rands (USD\$222.2) in 2001. At the end of 2004, its membership had increased to only 36, but the cooperative had a turnover of 1.25 million Rands (USD\$198,412.7) and had assets worth 896,708 Rands (USD\$142,334.6), including a tea court worth 500,000 Rands (USD\$. 79,365); a truck to deliver the tea; a welding machine; and a tractor used in the production of tea. In 2007, the membership had grown to 51 and recorded a financial turnover of over 1.5 million Rands (USD\$. 238,095). It currently has 58 members and produces between 50 and 80 tones of tea annually. Income from tea sales is distributed equitably, in a way that benefits the smallest scale producer, and also contributes to the economic independence of farmers, especially women. Heiveld is known for producing the finest organic roibos tea in the World. It exports its tea to Germany, United Kingdom, Switzerland, Italy, France, Belgium, USA, Canada, Japan, New Zealand, Australia (Theron, 2008; Satgar and Williams, 2008).



Heiveld has not just afforded its members a stable income and, therefore, raised the quality of life of the farmers, but has also contributed to job creation in an economically marginalized area. It has employed 2 permanent office staff, 11 seasonal workers, and one women's group that produces local packaging for roiboos tea. Besides job creation, the cooperative also invests 30% of its surplus in community projects that benefit the larger community. It has sponsored community projects; provided an educational scholarship; and provided funds to the local school and church. Above all, it has developed self-confidence and self-belief through own management of production, export and local packaging; which has regenerated a sense of solidarity and commitment in the local community (Oettle, Goldberg and Koelle, 2010).

Indeed, it may be little exaggeration to say that in virtually all African countries, one comes across a number of successful cooperative ventures that are performing better in the liberalized economic environment than they did under state control. For instance, in Ethiopia, the Oromiya Coffee Farmers' Cooperative Union has significantly improved its coffee marketing, particularly in the export sector, since the liberalization of the economy. With a membership of 74,725 coffee farmers and 20 employed staff, it has opened coffee shops in Europe and the USA, which have seen it sell an average of 2,691 tons of coffee annually and record an average annual turnover of USD\$. 8 million (Lemma, 2008). This turnover has enabled the cooperative to adjust upwards the coffee price paid to the members.

Though the cooperative movement in Cape Verde is still recovering from an abrupt state withdrawal in supporting cooperative development, there is the unique example of UNICOP de Fogo, a consumer cooperative. With a membership of 404 and employing 58 staff, it generates an annual turnover of USD\$. 2.8 million; and it is increasingly becoming instrumental in the provision of loans and assisting members cope with food shortages and funeral expenses (Mendonca, 2008).

In Egypt, the General Cooperative for Weaving and Spinning Workers, a consumer cooperative, has 38,950 members; employs 900 staff; and records an annual turnover of 69.2 million Egyptian pounds (over USD\$. 12 million) (Aal, 2008). In Rwanda, the *Union des Banques Populaires*, a savings and credit federation, has a huge membership totaling 398,799 and employs 600 members of staff. It has accumulated USD\$. 44 million in savings; it has expended USD\$. 36 million in loans; and makes an average annual surplus of USD\$. 1.5 million. The union is increasingly becoming instrumental in the provision of risk coverage to SACCOs in the country, thereby strengthening SACCOs' capacity to serve a larger clientele (Nyamwasa, 2008).

The list of examples of successful cooperatives in the neo-liberal era in Africa can be long, just as the list of unsuccessful ones may as well be. What is certainly emerging from the field is that the liberalization of the economy and cooperatives is steadily offering many cooperatives the opportunity to reinvent their solidarity and rally business ideals among their members. The available data suggests that such opportunities are increasingly being utilized by cooperatives to tap economies of scale to improve the productivity of their members. Such cooperatives are operating as demand-driven and market-oriented business organizations. The result is the increasing improved performance of such cooperatives as evidenced by higher turnover of the cooperatives; improved income to the participating members; and improved provision of socio-economic services to the members and sometimes the wider community.

## CONCLUSION

It has been the purpose in this paper to trace the fall of solidarity, and therefore the ambivalent participation, in African cooperatives and show the contribution of neo-liberalism to the re-emergence of solidarity in, and revitalization of, cooperatives to effectively contribute to socio-economic development on the continent. The discussion has shown that the foundation of cooperatives in the colonial period was neither driven by local

people's interests nor their solidarity to solve their pressing problems. Most of them were started by the colonial state to satisfy its own interests. Indeed, in some countries Africans were for a long time restricted from participating in cooperative activities. Unfortunately, the independent state continued with the legacy of the colonial state by controlling cooperative development to its advantage. Cooperatives were directed and supervised like extensions of the government, thereby further suppressing the solidarity of cooperative members to effectively participate in their organizations. Some members indeed regarded cooperatives not to be their own organizations, but the government's.

However, the liberalization of the economy marked a turning point in rekindling the solidarity of cooperative members to reclaim their organizations from the state. The new economic environment initially presented new challenges to the cooperatives, which saw many of them collapse. It is these neo-liberal challenges, along with the economic freedom that was made possible, that helped to revive the solidarity of cooperative members in most countries. There is evidence that neo-liberalism presented both problems and opportunities that triggered cooperators to fall back onto their solidarity to survive the competitive market economy. Since the late 1990s, many cooperatives are increasingly regenerating their solidarity to reclaim their place at the market and in African economic development.

Subsequently, cooperative structures that have been rendered redundant by the market are increasingly being re-organized, abandoned and/or replaced by new ones that strengthen the social and solidarity economy. Cooperatives are also diversifying their activities in order to respond to the challenges of the market as they endeavour to satisfy the interests and demands of their members. Those cooperatives that have regenerated the solidarity of the members and adapted to the new economic environment, the number of which continue to rise in many countries, are recording better performance than they did before the liberalization of the economy. Such cooperatives have clearly reinvented the business wheel that they had lost to state control. Clearly, neo-liberalism has had some positive side by rekindling solidarity in cooperatives, which, in turn, are improving living conditions in Africa.

The paper, therefore, submits that though there might have been many factors behind the poor performance of African cooperatives up to the mid 1990s, the lack of members' solidarity and, therefore, the lack of morale to actively participate in the activities of these organizations were fundamental. State control had stifled people's freedom to think in their best interest and invest in businesses that could generate returns to help them solve their socio-economic problems. With ambivalent participation and little returns on their activities, cooperatives lacked the capital to entrench the social and solidarity economy in African development. Though neo-liberalism has had its downturn in African development, it has created space for cooperatives to reclaim their freedom and re-engineer solidarity among members to effectively participate in the activities of their organization. This new-found freedom has also enabled cooperatives to forge productive partnerships that have enabled them not only to improve their capital base, but also to find markets for their products. The result has been improved performance and significant contribution to the improvement of living conditions among members and sometimes the community as well. Neo-liberalism has, therefore, not been a constant evil to African development; it has had its positive sides as well.

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