Encountering the Evidence: Cooperatives and Poverty Reduction in Africa

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Abstract

Discussion on the contribution of cooperatives to poverty reduction in Africa has quite often been based on their potential role rather than the actual impact, partly due to the dearth of empirical studies since the early 1990s. This paper provides evidence on the contribution of cooperatives to poverty reduction in Africa. Accordingly, it demonstrates that cooperatives have significantly contributed to the mobilization and distribution of financial capital; created employment and income-generating opportunities; constituted a forum for education and training; and set up solidarity schemes to cater for unexpected expenses related to illness, social welfare, death and other socio-economic problems.

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1 Introduction

With almost half of the world’s six billion people living on less than two dollars a day, alleviation of poverty has become the biggest challenge to the human society. In response, the global campaign against poverty has gained momentum, with various development actors suggesting the use of different instruments to alleviate poverty. However, there is an emerging consensus among many actors, including the United Nations (UN), the International Labour Organization (ILO), the International Cooperative Alliance (ICA) and the European Union (EU), that the cooperative enterprise is one of the few forms of organization that meet all dimensions of poverty. The broad argument is that cooperatives have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interests; and providing security to the poor by allowing them to convert individual risks into collective risks. Consequently, cooperatives are increasingly being presented as a pre-condition for a successful drive against poverty and exclusion, more so in Africa (Birchall, 2004; 2003; ILO/ICA, 2003).

Nevertheless, the continuing debate on the suitability of cooperatives for poverty alleviation in Africa tends to be based on expectations rather than the empirical functioning of these organizations on the continent. This is particularly the case because there has been a dearth of up-to-date literature that conveys the status of African cooperatives since the liberalization of the sector in the mid 1990s. The last comprehensive studies of cooperatives in the early 1990s argued that these organizations had failed (Birchall, 2004: 3). The 1993 World Bank studies (Hussi, et al, 1993; Porvali, 1993), for example, acknowledged the potential role that cooperatives could play in the development process in Africa, but only if they were disentangled from the state, restructured and run on business principles in line with the then emerging market economy. Since then, there has been limited, if any, literature on how African cooperatives have fared in their contribution to poverty alleviation.

The purpose of this paper is to move the debate on the contribution of cooperatives to poverty reduction in Africa from “their potential role” (Birchall, 2003) to their actual impact using empirical evidence from the field. It is based on data that were collected from eleven African countries in 2005 under the Essential Research for a Cooperative Facility for Africa study, which was initiated by the Cooperative Branch of the ILO, funded by the UK Department for International Development (DFID) and coordinated by the Higher Institute for Labour Studies
(HIVA) at the Catholic University of Leuven, Belgium. From a rural livelihoods perspective, the paper illustrates that cooperatives in Africa have certainly contributed to poverty reduction by mediating members’ access to assets, which they have used to earn a living. By integrating the poor and the relatively well-off in the same income-generating opportunities, cooperatives are also contributing to the reduction of exclusion and inequality.

2 Cooperatives and Poverty in a Livelihood Framework

Whereas poverty is a multi-faceted phenomenon that hinders the satisfaction of basic life requirements, the tendency has been for some analysts to conceptualize it in narrow economic terms by insinuating that it is simply the lack of money (Smith & Ross, 2006: 6). Given that poverty is much more complex, it is defined in this discussion as a condition that deprives the individual the basic necessities for existence like food, water, shelter and clothing as well as other fundamentals to life like health, education, security, opportunity and freedom (Spence, 2005: 351-52). Deprivation of these basic and fundamental demands of life results into the exclusion of the individual in society due to the lack of the capability to function and exercise the freedom of choice (Sen, 1999).

Livelihood analysts (cf. Chambers and Conway, 1992; Carswell, 1997; Scoones, 1998; Davies and Hossain, 1997; Hussein and Nelson, 1998) have expressed the same idea in terms of their definition of a livelihood as “...the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by organizations, institutions and social relations) that together determine the living gained by the individual or household” (Ellis, 2000: 10). So that poverty manifests not only in the lack of access to financial capital, but also deprivation of physical, natural, human and social capital. Briefly, natural capital refers to natural resources like land, water, minerals, animals and trees that yield products used by human beings for their survival. Physical capital includes the assets that result from economic production processes, such as tools, machines, buildings and land improvements. Human capital

2 The purpose of the said study was to obtain qualitative insights into the strengths and weaknesses of the cooperative movement in the countries with a view to assessing the real and potential impact of cooperatives on reduction of poverty through creation of employment; generation of economic activities; enhancement of social protection; and improvement of the voice and representation of vulnerable groups in society. The researchers, one in each of the eleven countries, first of all used qualitative rapid assessment methodology to collect data at the national level using semi-structured interviews with key informants in the cooperative sector. This was followed by in-depth interviews with leaders and members in selected cooperative societies at the local level with a view to generating case studies to illuminate on the findings from the national level. The eleven countries are Ethiopia, Egypt, Kenya, Uganda, Rwanda, South Africa, Nigeria, Ghana, Niger, Senegal and Cape Verde. The overall findings of this study are forthcoming in a book titled: Cooperating out of Poverty: the Renaissance of the African Cooperative Movement, edited by Patrick Develtere, Ignace Pollet and Fredrick Wanyama.
refers to the educational and health status of individuals, while social capital refers to the interactive networks and associations in which people participate to derive support towards earning a living. Finally, financial capital includes the stocks of cash and credit for purchasing either production or consumption goods (Ellis, 2000:8).

This livelihood framework clearly shows that people’s access to the assets that they require to earn a living is a matter of organization. Organizations play the role of mediating agencies in the process of accessing assets by the individual or household. The utility of this framework is that it gives us an insight into the contribution of cooperatives - as mediating agencies - to poverty reduction in Africa.

The ICA defines a cooperative as

“An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise” (ICA, 1995).

This suggests that cooperatives are, first and foremost, voluntary business associations formed by people of limited means through contribution of share capital that forms the basis of sharing out the profits that accrue from the business. In addition, the income generated from the enterprise can as well be used to meet other social and cultural needs and aspirations as determined by the members. This partly explains why the management of a cooperative has to be democratic: to give the members the opportunity to determine how the proceeds of the enterprise can be utilized. Of course the other explanation for this form of management is that the association is open and voluntary: a member is free to join and also cease to be a member at his/her discretion.

Cooperatives take different structural forms in Africa. In Anglophone countries, cooperatives are broadly organized at two levels: the primary level and the secondary level. At the primary level are co-operative societies with individual persons as members, while co-operative unions are formed at the secondary level with co-operative societies as the members. Thus, in the latter case, co-operative societies in the same sector within a specific geographical region could join together to form a co-operative union for purposes of mobilizing capital to invest in a bigger business venture that is beyond the reach of a single society. The same logic is used by cooperative unions to form cooperative federations and ultimately an apex organization at the national level to represent all cooperatives in the country. Francophone and Lusophone countries, however, cooperatives, mutual societies, self-help associations, foundations and trusts are often sharing the same social and economic project. They are part of what is called “the
social economy”. In this tradition, it is the social and economic objectives that are shared by the parties involved in a cooperative venture rather than the level of organization (Develtere, 2007).

In addition to this general structure, the tendency is for cooperatives to be formed around economic sectors and/or activities. For example, there are agricultural co-operatives, savings and credit co-operatives (SACCOs), housing co-operatives, consumer cooperatives, among others. Even within a given sector, specific activities attract the formation of specialized co-operative organizations. For instance, agricultural co-operatives in Kenya are mainly established to market members’ produce. Consequently most of them are organized around the processing and marketing of specific cash crops, like coffee, cotton, pyrethrum, rice and dairy produce (Wanyama, 2007).

From a livelihood perspective, these different types of cooperatives mediate the access of their members to assets that they utilize to earn a living. For instance, while savings and credit cooperatives facilitate their members’ access to financial capital, agricultural cooperatives help farmers to get access to the inputs they require to grow crops and keep livestock, and then help them to process and market their produce. Similarly, consumer cooperatives make it possible for their members and the society at large to get access to household supplies like food, clothing, and other products (Birchall, 2004: 3). Such services ultimately help members to improve on their living conditions, thereby pulling some of them out of poverty. What is not clearly understood is whether cooperatives in Africa, particularly after the liberalization of the sector, have lived up to this expectation.

3 Cooperatives and Poverty Reduction in Africa

The cooperative sector in Africa is very heterogeneous in terms of its membership. Members of cooperative societies cut across ethnic backgrounds, the rural-urban divide and sometimes professional categories. Whereas members of agricultural cooperatives are largely rural large- and small-scale farmers, the majority of the members of non-agricultural cooperatives live in the urban areas. In these settings, there are people from diverse ethnic backgrounds participating in the same cooperatives. The proliferation of SACCOs, particularly in the urban areas, has significantly integrated people from different professional and income categories in cooperative activities. High-ranking professionals employed in organizations, around which SACCOs are formed, find themselves in the same cooperative with their juniors. Thus, it is the services rendered by cooperatives that form the basis for membership in most countries rather than ethnic, class and professional bases. Indeed, in some countries like Kenya, SACCOs are even being formed among the self-employed in the informal and agricultural sectors, which is a complete departure from the past where they were mainly formed among those employed in the
urban areas that could make their share contributions through a monthly payroll check-off system.

3.1 Employment Creation and Income-generation

Cooperatives create employment opportunities in three different ways. First, they offer direct wage employment to people who work in primary and secondary cooperatives as well as in governmental cooperative support institutions (e.g. ministries, departments, cooperative colleges, etc.). Secondly, cooperatives offer self-employment to members, whose participation in the economic activities that they make possible substantially guarantees a decent income. Thirdly, cooperatives also indirectly employ through the spillover effects of their activities on non-members whose income-generating activities are only viable through the transactions they have with, as well as opportunities created by, cooperative ventures.

Of these three, direct wage employment presents the least contribution to employment and income-generation in Africa, yet data from the field shows an increase in the number of people employed. In 1997, an ILO study estimated that the cooperative sector in 15 African countries was responsible for 158,640 direct jobs (Schwettmann, 1997: 7). Our evidence from the field suggests that the sector is actually employing more. For instance, cooperatives and support government institutions are reportedly employing a staggering 77,400 staff in Kenya (Wanyama, 2007); 28,000 in Ethiopia (Lemma, 2007); 9,500 in Egypt (Aal, 2007); 3,130 in Ghana (Tsekpo, 2007); 2,823 in Uganda (Mrema, 2007); and about 800 in Rwanda (Nyamwasa, 2007). On the basis of more detailed analysis, Wanyama and Lemma suggest for Kenya and Ethiopia, respectively, that employment in the sector might even be higher than these official figures.

In Kenya, for example, a study of the agricultural sector in 2001 showed that there were only 11,311 permanent employees in the sector (ICA, 2002: 14), but Githunguri Dairy Farmers Cooperative Society alone had 250 employees in that year, increasing to 300 in 2005. Yet this cooperative is just one out of the over 2,000 agricultural cooperatives that are said to be active, with varying direct employment capacities. Among the governmental cooperative support institutions, the Cooperative College has 104 permanent employees, while the Ministry of Cooperative Development and Marketing has slightly over 1,300 staff. In the financial sector, the Cooperative Bank alone employs over 1,200 while the Cooperative Insurance Company has over 600 employees. Just the top ten SACCOs in terms of annual turnover in 2005 had a total workforce of 1,154, yet there are over 2,600 active SACCOs spread across the country. These estimates imply that the total number of employees in cooperatives could be more than the above stated estimates (Wanyama, 2007).
Moreover, the direct employment figures presented above do not include the seasonal and casual work that cooperatives create. On the basis of available data from grain marketing cooperatives and coffee farmers’ cooperative unions in Ethiopia, Lemma (2007) estimates that over 21,000 people are recruited for casual labour services in cooperatives every year. Nyamwasa (2007) estimates that tea planters’ cooperatives alone in Rwanda engage an impressive 4,476 temporary workers on a yearly basis.

The impact of cooperatives on employment creation and income-generation is more discernible in the self-employment realm. A significant proportion of farmers and their households access the market to sell their produce to earn an income through their cooperatives. For instance, whereas 924,000 farmers in Kenya earned an income as a result of their membership in agricultural cooperatives in 2004 (Wanyama, 2007), about 4 million farmers in Egypt could have gone without an income had they not been members of agricultural marketing cooperatives in 2005 (Aal, 2007). In Ethiopia, members of cooperatives in the agriculture sector fully or partially generate their income through cooperative activities. About 900,000 people in the agriculture sector of Ethiopia are estimated to generate part of their income through their cooperatives (Lemma, 2007).

Even more significant for income-generation is the fact that these cooperatives not only create marketing opportunities for members, but also try to increase their income margins by negotiating for better prices. In Ethiopia, for example, grain producers’ cooperatives play an important role in securing better prices for farmers throughout the year. This effort reduces the seasonal price fluctuation and stabilizes the local grain markets in favour of co-operators. It is for this reason that grain farmers have not been severely affected by price fluctuations in recent years (Ibid.). Similarly, coffee cooperatives have played a similar role in Ethiopia by penetrating alternative markets that offer better prices in Europe and USA through fair trade (Ibid; Tesfaye, 2005).

Besides agricultural cooperatives, SACCOs are increasingly becoming a major source of the productive resources that are invested by members to create employment opportunities and increase income to the household. This is possible due to the growing ability of these cooperatives to mobilize substantial savings from which members can borrow. In Kenya, SACCOs lead in financial strength. In 2004, their turnover almost doubled the combined income of all agricultural cooperatives. That SACCOs are the prime movers of the cooperative sector is illustrated by the fact that their turnover of Kshs. 8.359 billion (US$. 120 million) in the year under review constituted 62 per cent of the total turnover of all cooperatives in the country. Their financial strength has seen them become the majority shareholders in the Cooperative Bank of Kenya, the fourth largest bank in the country, thereby occupying the position that was
previously held by agricultural marketing societies (Wanyama, 2007). A similar account obtains in Ghana where the credit unions recorded a turnover of over 425 billion cedi (US$. 47.2 million) in 2004 (Tsekpo, 2007).

Consequently, SACCOs make loans available to their members for a variety of uses, the most common of which has been the creation of employment and income-generation opportunities. For instance in Ghana, a study of the University of Ghana Cooperative Credit Union indicates that members frequently obtain loans to support informal businesses that supplement their wage income. These informal businesses are also known to offer part-time employment to housewives and domestic assistants in the University Staff Village. Indeed an examination of the uses to which loans and withdrawals by members of the cooperative are put listed business as the leading of the nine substantive uses to which members direct their funds (Ibid.).

This finding resonates with accounts from other countries. At Maseno University SACCO in Kenya, members have obtained loans to invest in businesses and farming, not just to supplement their incomes, but also to create employment for their spouses (Wanyama, 2007). In Rwanda, members of Assetamorwa (Association de l’Espérance des Taxi Motos au Rwanda), a cooperative and trade union for motorcycle taxi drivers, have got loans from their cooperative to buy their own motorcycles to enhance their incomes. They previously paid extortionate daily rental fees to owners of the hired motorcycles (Smith & Ross, 2006: 16-22). In Ethiopia, SACCOs generate self-employment for about 400,000 people all over the country by extending small loans to micro-entrepreneurs in handicrafts and service sectors (Lemma, 2007). The list of similar examples can be long.

Finally, the spillover effect of the cooperative sector on employment creation and income generation is very diffused and difficult to estimate, but there are some credible indications. It is clear that several categories of people rely on the vibrancy of the cooperative sector for their income by providing inputs to cooperative enterprises or selling products from cooperatives at the marketplace. For instance in Kenya, a substantial number of entrepreneurs who are not members of cooperatives derive their income from trading in office stationery used in cooperatives, particularly SACCOs; packaging paper used by dairy cooperatives to pack products; machinery for primary processing of agricultural produce like coffee and milk; and farm inputs stocked in cooperative stores. Then there are people who earn some income by marketing products from cooperatives. Dairy cooperatives, for example, produce various products like fresh milk, ghee, butter and yoghurt while other agricultural cooperatives market coffee, fish, pyrethrum, etc. that are usually handled by non-member entrepreneurs at some point in the marketing chain. It is for this reason that it is estimated that over three million people in Kenya derive a significant part of their income from the activities and services of cooperatives. This
represents over ten per cent of the current estimates of the country’s total population (Wanyama, 2007).

Moreover, the financial services that cooperatives avail in the countryside are equally significant. The SACCO movement is quickly spreading from its traditional urban and wage employment sectors into the rural and informal sectors, thereby widening the scope of financial service provision. In Kenya, for instance, some of the urban- and employer-based SACCOs like Mwalimu and Harambee have opened branches outside Nairobi, with Front Office Services (including withdrawable savings deposit products and instant cash advances on salaries) that facilitate cash flow in areas that commercial banks have traditionally shunned (ibid.). Such services have benefited not just the members, but also local businesses and people.

By creating employment opportunities, generating income and facilitating financial flow for the members and non-members, cooperatives make available to the individual and household financial resources that are utilized to participate in activities through which a living is earned. Cooperatives, therefore, significantly contribute to both members’ and non-members’ access to financial capital in Africa.

3.2 Investing in Human Capital

As much as ignorance or illiteracy and poor health tend to be manifestations of poverty, they are also causes of the same. Consequently, efforts towards improving on the provision of educational and health services are fundamental for poverty reduction. Cooperatives have made a contribution in this regard in three different ways. First, members of cooperative societies use the income that these societies make possible to educate their children, with a view to reducing poverty in future following children’s employment. Loans from SACCOs have particularly been instrumental in this regard. In Kenya, the main type of back office loan offered by most SACCOs (at interest rates of 1 to 1.5 per cent on monthly reducing balances for a 12-month period) is for paying school fees (Evans, 2002: 22-23). Similar reports are obtained from Ghana, Nigeria, Cape Verde and Uganda. An example from Uganda is particularly illustrative. A study of Jinja Teachers Savings and Credit Society showed that three of the members who borrowed from the cooperative to pay their children’s school fees have seen their three respective children graduate in medicine, engineering and finance. The children are now employed and provide financial assistance to their relatives and parents (Mrema, 2007).

Secondly, cooperatives are also serving as educational centres for members. Many are the members that shade off some degree of ignorance on economic opportunities in their milieu through cooperative educational programmes. The case of Rooibos Tea Cooperative Society in
South Africa is illustrative. Rooibos is a tea plant that grows naturally in a dry, mountainous region north of Cape Town. In 2000, fourteen small farmers, who had been introduced to organic tea farming by a representative of an environmental NGO, decided to form the cooperative with a view to establishing a facility to process each member’s tea before it could be delivered to a rooibos marketing company. After some time, there was unhappiness with the price the company paid for the tea. The organizational dynamics of the cooperative soon enabled members to learn that they could get a much better price by marketing their tea through a local fair trade agent who was promoting the marketing of organic agricultural produce rather than the company.

The better price that the farmers received on marketing their tea through the said agent served as an eye opener to the economic potential of rooibos tea farming that they decided to lease a centrally located facility to increase production. So successful was the venture that the cooperative started realizing a substantial surplus. The 100 South African rands (US$. 15.6) entrance fees contributed by the fourteen founding members in 2001 had raised an initial capital of only 1,400 rands (US$. 222.2). At the end of 2004 the cooperative membership had increased to 36 with a turnover of 1.25 million rands (US$. 198,412.7) and assets valued at 896,708 rands (US$. 142,334.6), including a truck to deliver the tea, a welding machine and a tractor used in the production of tea. Of significance to the educational needs of the members is that the cooperative has committed thirty per cent of its annual profit to the training of those members who, in the opinion of the board, have been most disadvantaged for their race and/or gender to undertake sustainable economic activities. The training and development programmes in this regard have included various topics ranging from financial management to global climatic changes that affect tea production (Theron, 2007).

Similar examples are found in other countries. In Egypt, the Menshat Kasseb agricultural cooperative society in Giza region not only supports members to market their produce, but also provides non-economic services like training female members in home economics and health care. It also organizes members’ rights and responsibilities awareness-raising workshops, which has helped to enlighten members on the virtues of cooperation. Besides such training initiatives by societies, all central cooperative unions in Egypt regularly organize training courses for the staff of affiliated societies to enhance managerial capacity (Aal, 2007). Kenyan cooperatives, with the support of donors, have undertaken similar initiatives to train their members. The Swedish Cooperative Centre (SCC) funds co-operative members’ education through specialized programmes. For example, it has funded Community Empowerment and Economic Development through Co-operatives (CEEDCO), a local NGO operating in Kiambu District, to educate members of Githunguri Dairy Farmers Co-operative Society on the value of co-operatives in development and their role as members of these enterprises (Wanyama, 2007). All these efforts have
significantly contributed to the reduction of ignorance among co-operators and, therefore, improved on human capital.

Thirdly, cooperatives have also invested in human capital by contributing to the improvement of the health of their members. SACCOS are, for example, known to give loans to members to enable them pay medical bills or seek expensive medication in several countries including Ghana, Kenya and Uganda. In Rwanda, members obtain loans from their credit cooperatives to pay annual health insurance premiums in their mutual health schemes (Nyamwasa, 2007). Other cooperatives in the same country have set up health and insurance funds from their savings schemes, one example being Assetamorwa (Smith and Ross, 2006: 22). In Egypt, the spinning and weaving workers' cooperative society at El-Mehala Al-Kubra gives financial support towards meeting the medical expenses of members and their families (Aal, 2007).

It is also significant to note that cooperatives in some countries participate in health promotion campaigns. This is the case in Ethiopia where five cooperative unions in Oromia region have established HIV/AIDS clubs for raising awareness about the disease and enhancing the use of prevention and control measures to reduce its spread among members. This effort has created a forum for exchanging experiences with people living with HIV/AIDS as well as disseminating information on the disease through the distribution of translated manuals provided by the ILO ( Lemma, 2007). Similarly, Assetamorwa in Rwanda, pursuant to one of its objectives of fighting HIV/AIDS amongst public transport operators, has set up a club to combat the spread of the disease through awareness creation (Smith and Ross, 2006: 21).

These contributions to the educational and health demands of the members have seen cooperatives credited for reducing ignorance and disease in societies where they operate, thereby developing human capital in Africa.

3.3 Social Protection

By social protection we refer to societal security mechanisms in response to unexpected socio-economic scarcity and risks that people encounter in their livelihoods. Traditional African society relied on mutual aid to secure every individual from calamities that were beyond his/her capacity to handle. In its simplest form, mutual aid on a daily basis found expression in interfamilial and neighborly help in bringing back strayed cattle; tending the crop of someone fallen ill; chasing away marauding wildlife; and helping family, kin and villager to ease the burden of death by meeting the expenses of a funeral, among others (Bouman, 1995: 118). Though some of these mutual support habits have survived the onslaught of modernity, they are clearly inadequate to withstand the shocks that visit livelihoods today.
On the other hand, the small tax base, the prevalence of the informal economy and the institutional weaknesses of the African state hinders the establishment or extension of formal, centrally-organized and state-run social protection systems to cater for all in society. This has quite often exposed the poor to the vagaries of unexpected calamities. In the circumstances, it is only the minority wealthy people who benefit from social protection systems provided by private insurance companies. Though the extent to which cooperatives have acted as networks for securing the individual against unexpected calamities that derail livelihoods is hardly explored in existing literature, they seem to make some contributions.

In the first place, both the back office and front office activities of SACCOs secure members from unexpected calamities. With regard to back office activities, SACCOs offer emergency loans to their members for a term of twelve months to solve unanticipated problems. This acts as a fall-back for members to quickly respond to unexpected socio-economic problems like sickness, an accident, crop-failure and food shortages, among others, which can potentially disrupt a livelihood. Though most cooperatives usually have limited funds for such loans, resulting in the inability of SACCOs to effectively respond to increasing demands for emergency loans as is the case at Maseno University SACCO in Kenya (Wanyama, 2007), many are the SACCOs that have designed regulations to ensure that only the very deserving cases benefit from these loans to guarantee the availability of some funds at any given time.

In the front office service activities, SACCOs have devised innovative banking services and cash salary advances that are popularly referred to as “instant loans”. Under varying conditions, SACCOs approve and pay these advances in less than one day (Evans, 2002: 18). Unlike emergency loans, these advances are payable in a shorter period of time, usually not more than six months, and the ceiling on borrowing depends on the individual’s ability to repay within the said period of time. Nevertheless, they can be accessed within a very short time to respond to unexpected emergencies. It is in this regard that instant loans are increasingly becoming more popular than emergency loans though their repayment terms are shorter and interest rates higher. In Kenya, the popularity of these loans has, however, outstripped the available funds in most SACCOs (Ibid.).

Secondly, in response to the rising cost of funerals, some cooperatives, particularly SACCOs, have introduced benevolent funds to cater for burial expenses of members and their immediate family members in case of death, for which no one is usually prepared as it is normally not expected. Cooperative members make regular contributions to such funds, but only draw from when they are bereaved. The schemes define the relatives on whose death the member could get assistance to meet the burial expenses as well as the respective amount of money he/she would be entitled to. In the event of a member’s death, his/her immediate family gets
assistance from the fund to meet burial expenses. It should, however, be emphasized here that in some instances, it is not the cost of funerals that has led cooperatives to set up these funds, but the exclusion that their members encounter. For instance, the Jinja Teachers Savings and Credit Cooperative Society in Uganda, most of whose members were seriously affected by the killer HIV/AIDS disease, had been excluded from the burial contribution scheme within the District Council by virtue of their infection. The cooperative responded by establishing its own benevolent fund to cover burial expenses for any society member who died or who lost a family member (Mrema, 2007).

Thirdly, cooperatives in some countries have established social funds from their annual profits to provide for communal needs. For instance, in Ethiopia, all cooperatives are required to allocate 1-5% of their profit to a social fund that is used to provide basic social services and develop communal infrastructure such as roads, schools, health clinics or watering points. For example, Yirga Chefe Coffee Farmers Cooperative Union gives financial support to 21 students in institutions of higher learning in the country every year. It also provides school uniforms and other educational materials to 250 orphans annually. In the same spirit, Dibandiba Primary Cooperative Society made a contribution of 7,500 Ethiopian Birr towards the construction of a watering point and the purchase of chairs at a local primary school in 2005 (Lemma, 2007).

Fourth, cooperatives are also making provision for food security in some countries. The Mooriben federation, formed in 1988 in western Niger, serves as an example. It started with the broader objective of fighting ignorance and poverty (“mooriben” in Djerma-Sonorai means “poverty has ended”), but has since initiated a multiplicity of activities. Mooriben’s package of services includes training, grain banks, shops, credit lines and community radio stations. Each element of this package meets a specific need, but the synergy between all the elements helps to promote development and improve farmers’ living conditions. In particular during periods of food crisis, the neighbourhood services made possible by the grain banks and provision of farm inputs to members have been instrumental in ensuring food security. Indeed, the grain banks and shops have substantially changed farming practices. Before, farmers consumed or sold all of their harvest and accrued debts to traders in lieu of the next harvest. This dependence on traders has declined sharply since the creation of the grain banks. The existence of Mooriben shops has improved farmers’ access to quality seeds and other farm inputs. Farmers are able to make informed choices between the various inputs in order to improve productivity. This partly explains why Mooriben is one of the three civil society organizations to which the Ministry of Agriculture in Niger has quite often turned for the distribution of seeds in order to manage food crises. In terms of food security, the grain banks made it possible to cover the food needs of about 24,941 people (about 37% of the needy population) during the critical months of famine in 2005 (Sani, 2007).
Fifth, it is significant that cooperatives also safeguard the jobs of their members, particularly in countries where the trade union movement provides the foundation for cooperatives. A case in point is Rwanda where cooperatives pool their efforts to provide workers in the informal sector with greater bargaining power vis-à-vis the administration with regard to taxes, workplace conditions and the relaxation of certain repressive regulations that target the informal economy (Nyamwasa, 2007).

For instance, before Assetamorwa was formed, the jobs of motorcycle taxi operators were threatened by a host of problems, including the Kigali City Council regulations like the wearing of a helmet by both the driver and the passenger as well as possession of an up-to-date driving license, both of which required money that most operators did not have. To overcome these problems, the operators formed this cooperative cum trade union with a view to collectively secure their jobs by combating unemployment; improving the image of public transport operators; fighting ignorance; strengthening the unity of, and promoting reconciliation among, public transport operators; teaching public transport operators the Highway Code; establishing insurance for public transport operators; fighting for the security of public transport operators and their passengers; and mobilizing savings to enable operators acquire expensive requirements for their jobs like helmets and driving licenses. The good progress so far recorded on all these issues has substantially helped to secure the jobs of these operators (Smith and Ross, 2006: 18-23).

In these various small ways, cooperatives are increasingly protecting their members and the wider community against unexpected calamities that tend to disrupt livelihoods. We note that these organizations sometimes re-enforce traditional mutual support habits that are common to most African communities by simply formalizing them. As Enete (2007) rightly remarks, social security systems in cooperatives tend to be spelt out in the constitution and by-laws, whereas in typical African communities, the system is conventional and ad hoc in character. It is, therefore, significant that cooperatives are formalizing social security in a region where this mechanism is largely underdeveloped, exposing the poor to extensive vulnerability.

**Conclusion**

The purpose of this discussion has been to demonstrate the contribution of cooperatives to poverty reduction in Africa since the liberalization of the sector in the mid 1990s. From a rural livelihoods perspective, it is evident that cooperatives have significantly contributed to the mobilization and distribution of financial capital by creating employment and income-generating
opportunities for both their members and non-members alike, given that membership is open to all persons without ethnic, class or professional biases. Accordingly, these organizations help to reduce inequality and exclusion in society by enabling those willing to join an opportunity to generate an income. The income so-generated is used not just to meet household consumption needs, but also to enhance income-generating capacity of individuals by investing in educational and health requirements of individuals and households. Furthermore, cooperatives contribute to human capital formation by creating a forum for education and training for their members in a bid to reduce ignorance. They also enable their members to mobilize funds for taking care of their health needs. In the absence of the development of formal social security systems, cooperatives have created solidarity mechanisms to re-enforce the informal traditional mutual aid systems by opening opportunities to set up schemes to cater for unexpected expenses related to illness, social welfare, death and other unexpected socio-economic problems like drought and crop failure. Cooperatives are, therefore, increasingly becoming the preferred mechanism for mediating people’s access to resources that they utilize to participate in activities through which a living is earned. It is in this regard that cooperatives are significantly contributing to poverty reduction in Africa.
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