



**MINISTERIAL CONFERENCE
TECHNICAL COMMITTEE
REPORT**

KAMPALA UGANDA

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INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA)

Regional Office for Africa

MINISTERIAL CONFERENCE TECHNICAL COMMITTEE REPORT

PREAMBLE

The Ministerial Conference Technical Committee (MCTC) in preparation for the 9th ICA Africa Ministerial Conference to be held in Nairobi, Kenya from 22-24 October 2009, received country progress reports on co-operative development since the 8th ICA Africa Ministerial Conference held in Maseru in 2005. The reports covered all core agenda items as agreed in Maseru. In addition, the MCTC identified pertinent new issues that require addressing by the Ministers in the coming meeting.

The co-operative development agenda is squarely located in the international development agenda wherein countries committed themselves, among other things, to meet the Millennium Development Goals (MDG). Attempts in meeting these goals are mixed in the region. The current global economic crisis has made it more difficult to adequately address issues like poverty, unemployment, and food security. However, despite the economic decline, some progress has been registered in some areas such as literacy rates, gender empowerment, and registered co-operative growth.

In an attempt to address the socio-economic challenges facing the region, governments are promoting regional integration through the establishment of trade blocs such as the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community for Western African States (ECOWAS), the East African Community (EAC), and the Southern African Custom Union (SACU). At the continental level, the African Union (AU) is becoming active in both economic and political matters. For instance, the African Peer Review mechanism (APRM) is the instrument put in place by African countries under the AU to benchmark performance on governance and social economic contributions.

Countries in the region agree on the importance of improving the lives of the people of this region. Positive growth in terms of GDP is partly a result of policies that promoted macro-economic stability (i.e. low inflation, fiscal stability). Consequently, we witnessed relative growth of co-operatives in numbers and membership. The co-operatives business model has greater appeal and governments are rediscovering co-operatives as a vehicle of economic empowerment. Many countries have created a conducive environment through the enactment of policies and legislation that promotes co-operatives (e.g., South Africa, Rwanda, Lesotho, Swaziland, and Botswana); we have seen an increased support in the form of programmes to support co-operative development, as well as restructuring and reform of co-operative training institutions.

However, these positive developments in the continent are being undermined by the following international developments; food and oil crises resulted in increase in prices of inputs affecting demand which in turn resulted in a negative impact on co-operatives development. The financial crisis had an immediate impact in African countries such as South Africa, Namibia and Botswana which experienced a reduced demand in mineral commodity exports. Other negative effects of the crisis include falling remittances and reduced flow of tourists which have contributed to increased unemployment. The economic crisis in Africa has continuously depressed the demand for commodities resulting in high unemployment at the national level in general and the co-operative movements in particular.

Status of Co-operatives and Statistics for the Region

The advent of liberalization and market competition found the co-operative movement unprepared and unable to compete effectively in the market place. We now observe a resurgence of co-operatives across the African continent. The recent crisis that began in the West is further observed to have helped strengthen confidence in the co-operative approaches to business. A review of co-operative trends indicate that co-operatives are diversifying into new areas like tourism, industry, housing, rural electrification, health and environment. These promote eco-tourism, rural energy, wild life and health, improved earnings and standards of living. They have also contributed to peace through the promotion of social harmony and community living.

From the foregoing it can be seen that co-operatives operate across various sectors of the economy and all categories of people. Furthermore, co-operative values and principles have positioned the co-operative movement and enterprise as the organization of the future of the African continent. This is so because the co-operative enterprise is one of the historically tested organizations with the ability and opportunity for catalytic and proactive African economic integration.

The co-operative movements in various countries have been faced with various challenges. These include low capitalization, manpower shortages, weak governance structures and increased competition. A recent study by the ICA on the *Socio-Economic Impact of Co-operatives in Africa and Their Institutional Context* revealed that co-operatives are involved in most spheres of economic and social life. The level of involvement was found to be dependent on the extent of mobilization of co-operatives, the demand by members and other environmental factors such as the state of the economy, climatic factors and technology. The sustainability of co-operatives as member owned organizations depends on a number of factors including, member participation, legislation and policy environment, internal management capacity, and internal and external governance. The commitment and involvement of the members in terms of resources both financial and human is one key contributor to the survival of co-operatives. Other factors include the extent to which the external environment is enabling, and also the extent to which their operational infrastructure is sustainable. The mobilization and development of co-operatives is observed to be concentrated in the Sacco's (co-operative savings and credit) sector in most countries. However, the connection between such mobilization with the agricultural production, marketing and financial services is lacking.

The study further analyzed the sources of key services by the co-operative movement which revealed that government was still a major provider of services to co-operatives. This situation hinders organic

development of co-operatives as well as their capacity to be proactive and innovative. It is also a danger to their sustainability. This is why at the Maseru African Ministerial Co-operative Conference it was observed that the right concept guiding the relationship between co-operatives and governments was positive interdependence for mutuality rather than open-ended government interference.

This calls for institutional reforms and review of the structural arrangements of co-operatives to build synergies among co-operatives and enhance their performance. Such synergetic arrangements would also give the co-operatives a strong position to partner with governments on an equal footing.

There are no sub-regional forums e.g. Southern Africa, East Africa, Northern Africa and Western Africa for co-operatives with a capacity to lobby and strengthen the development of co-operatives in those sub-regions.

1.0 Structure and Organization of the Co-operative Movement

The Maseru Ministerial Co-operative Conference observed that the restructuring process was slow and was likely to delay the co-operative movement from harnessing the existing opportunities for business competitiveness. The outdated structures were a major constraint to co-operative business competitiveness. It had been observed that in the whole of East and Southern Africa, it was Uganda which had the most comprehensive review of its national co-operative structure. In Maseru, it had been recommended that:

- (i) Organizational restructuring and change should be internal to the co-operative movement itself. National organizations were advised to chart out a major organizational restructuring programme to address the centrality of member driven co-operative business development.
- (ii) The ICA Regional Office was advised to enhance and support a programme to review co-operative organizations and structures that are member driven with the support of co-operative national organizations.
- (iii) It was envisaged that in the reform process, regional governments had room to play their part through the allocation of resources for research and proactive interventions that would facilitate the emergence of member driven co-operative movements.

Not all countries are homogenous in their structure and the organization. In Africa we find examples of two tier structures (i.e. primary and secondary), three tier structures (i.e. primary, secondary and apex) and four tier structures (i.e. primary, union, federation and confederation).

African countries are in the process of realizing and rediscovering the most efficient co-operative structures to ensure the development of co-operatives. Hence, there is a need for flexibility on the part of co-operative legislation to accommodate this evolution.

In most countries there is misfit between the structure articulated in the act and those that are operating on the ground. To address this, there is a need for further investigation and research.

2.0 Co-operative Development Policy and Legislation

The Maseru Ministerial Co-operative Conference observed that most countries had moved into the second round of reflection of the advanced forms of liberalization and competition relating to new

positions of co-operatives in the region. There had been observed that after review and formulation of new co-operative policies and legislation there were challenges to be addressed which included:

(i) Standard and legally approved translations into local languages for direct use by the members. A regional programme had been recommended that focused on this agenda.

(ii) Preparation of instruments and institutions for the enforcement of the Co-operative Acts. This includes institutions like the Co-operative Tribunal in the case of Kenya. On the other hand it had been observed that the co-operative membership had the sole responsibility for establishing systems and instruments for implementing good governance principles.

The Maseru Ministerial Co-operative Conference observed that most countries have moved into the second round of reflection of the advanced forms of liberalization and competition relating to the new positions of co-operatives in the region. From the country reports presented, it was revealed that the policy and legislative environment has been conducive. Many countries had reviewed their co-operative development policies and/or are in the process of revising their co-operative laws. Some countries have also put in place Sacco's specific legislation based on local realities in countries such as Kenya, Rwanda and South Africa.

It was recommended that all countries should focus on completing the process of formulating the policies and review of their legislations to be in place before the next Ministerial Conference. In so doing wide consultations should be held with different stakeholders within the co-operative movement.

The aspect of sensitization of stakeholders and popularization of the policies also needs to be taken up. Sufficient resources need to be provided for these activities.

3.0 Co-operative Finance

The Maseru Conference acknowledged that co-operative development is about self reliance, autonomous development and financial independence. Co-operatives are businesses supported by values of freedom, democracy and self respect.

It was observed that co-operative enterprises in the region are accessing finance from specialized co-operative finance institutions and from the mainstream commercial banks. There is also an element of government facilitating and financing co-operatives by either providing guarantee financing or grants and loans. The desired goal is that co-operative movements should have an integrated co-operative financial system comprising of co-operative businesses and Sacco's.

This co-operative finance sector continues to be the fastest growing within the co-operative movement across the region. An integrated co-operative financial system remains a desirable goal for most co-operative movements in the region. Governments are then encouraged to put in place rights and other incentives for the realization of these goals.

Professional Management of Emerging Co-operative Financial Institutions

Internal finance and institutionalization of the co-operative system through the Sacco's, co-operative banking and insurance, are critical instruments for co-operative autonomy. Such structures of finance

allow flexibility for design and give co-operatives a competitive edge in financial markets. The challenge lies in developing professional management for the emerging co-operative financial institutions. The aim should be to develop professional managers who can exercise a position of genuine leadership, based not on superior knowledge alone, but on superior knowledge of the needs of those being led. Thus professional management can only be a service to the business constituents or stakeholders when based on expressly human-centered values. All businesses are driven by values. *Co-operative Value-Based Management* as a term serves as a reminder of this. It also seeks to ensure that the co-operative values are defensible, and respect the proper aspiration of its constituents.

4.0 Gender

Women constitute the majority but also the most marginalized section of the population in most African countries. For instance, in most countries women and youth surpass the male population. The ICA Africa Regional Assembly held in Abuja in November, 2008, adopted a Gender Strategy Framework for use by the ICA member organizations in the region. While gender programmes are being implemented in some countries, it is observed that co-operative organizations have given limited attention to these sections of the population.

There is also a need to formulate gender policies and programmes that link up with the co-operative form of business to achieve women empowerment that are in line with the Gender Strategy Framework. The formulation of these instruments must be carried out through an inclusive process involving all critical stakeholders.

5.0 Youth

Demographic statistics reveal that the population of Africa is very young. It is estimated that in most African countries almost 50% of the population is below the age of 35. Detailed information on the situation of the youth is not readily available and hence the youths are usually left at the margins of the public sphere and political, socio-economic and cultural processes. Many of the youth in most countries in Africa have no access to education, employment, livelihoods healthcare and basic nutrition. The problem of what is usually referred to as youth unemployment has increasingly been recognized as a growing socio-economic phenomenon in many countries in Africa. The situation is made worse by lack of national youth policies that address the situation of the youth in a strategic and pragmatic manner. The challenge for the youth is how to organize themselves and make sense of their daily lives, negotiate their private and public roles and envision their futures within an environment and structures that provide minimal support to them.

The co-operative movements need to harness the existing government policies on youth economic participation. Such a move should aim at promoting youth empowerment for greater engagement in socio-economic activities. Co-operative movements should seize the opportunity to promote youth enterprises and self employment.

6.0 Member Empowerment

The Ministerial Conference held in Maseru in 2005 emphasized the critical importance of member empowerment and recommended the integration of member empowerment programmes as integral parts of co-operative development. Empowerment can be defined as a transformation process where control, power and authority are shared with particular groups of people in society where it was non-existent. It is a democratic process that creates opportunities for the majority of the population to take part in the decision making processes on resource mobilization and allocation. In co-operatives, therefore, member empowerment is a process where power and authority is shared between leaders and members. The members are given the opportunity to participate in business decisions on how the co-operative outcome is democratically distributed and shared among members. Country specific co-operative policies and legislation should address the issues of member empowerment.

It was observed that in some countries, especially those that have formulated new policies and legislation, progress has been registered. To achieve the member empowerment as anchored in the policies and laws there is a need to design and fund member empowerment programmes. Funding for such programmes can come from government, co-operatives themselves or development partners. Partnerships on the realization of member empowerment are also welcomed.

7.0 Human Resources Development

It was appreciated in the Maseru Ministerial Conference that human resource development in the co-operative sector is a critical element that contributes to the development of co-operatives in the region. The concept of human resources development includes the elements of enhancement of competence and capacity of members, employed staff and elected leaders.

As recommended by the Maseru Conference, the area of restructuring and reforming co-operative training institutions has been undertaken by most countries in the region, such as Lesotho, Swaziland, Tanzania, Botswana, Namibia, Zimbabwe, South Africa, etc.

While institutions of co-operative training have been reformed and restructured, however, a concern is being raised with respect to the lack of demand for co-operative training by employees of co-operative institutions. Many factors contribute to this including the time factor to complete the course, training costs and employment security. The training institutions must ensure that they build capacity to remain relevant and competitive to attract students.

It was observed that member education and training in most countries is provided by diverse service providers (i.e. training institutions, the movement, the government, and consultants). The content and cost still remain an impediment to members and leaders of co-operatives to access training and education on co-operatives. Building a network of training and education facilities and providing quality assurance to ensure effective delivery mechanisms in this area remain priorities.

8.0 Stronger Regional Collaboration

The Maseru Ministerial Conference set specific milestones to be achieved in the area of enhancing stronger regional collaboration as follows:

- 1 To establish horizontal and vertical economic collaborative linkages;
- 2 To establish strategic partners with non-co-operative private sector;
- 3 To establish information communication centers to facilitate co-operative trade in the region;

On trade between co-operatives in the region no reported progress has been achieved. ESAANET has been established as a regional information communication centre to facilitate agricultural trade information between Malawi, Zambia, Uganda and Tanzania. However, its impact is yet to be felt. With respect to West African and Southern African regions such mechanisms are yet to be established. Trade between co-operatives and the non-co-operative private sector within countries is higher although still rather low. Trade Fairs can help boost trade between co-operatives and non-co-operatives across various countries in the region... Speeding up the establishment of information communication centers would also be useful.

ICA was given a mandate to identify the potential areas for collaboration. In this regard, the ICA organized a co-operative regional trade capacity building seminar in Kampala, Uganda in 2006 involving Mauritius, Malawi, Zimbabwe, Lesotho, Uganda, Kenya, and Tanzania. A regional agricultural network (Agrimat Africa) was also promoted to achieve several objectives that enhance trade in the region.

9.0 Information Communication Technology (ICT)

The Maseru Ministerial Conference recognized as well as mandated countries to ensure that co-operatives begin to utilize Information Communication Technology to improve the economic efficiency of co-operatives. Ownership and involvement of co-operatives in the ICT businesses was recognized as imperative as well.

Progress from members' countries in the above is mixed; some have made some progress while others have not. While more co-operatives have purchased computers, the correspondence usage of wider ICT products and services such as internet, e-mail, website, etc. is still very low.

The cost of connecting into internet, establishing websites and e-mails is still costly and there is also low infrastructural development in the region with respect to ICT. Computer literacy is still a challenge in the region thus affecting the capacity of co-operatives to get connected into the ICT systems.

To alleviate these disadvantages, government can assist by designing appropriate programmes aimed at assisting co-operatives in getting connected in the ICT systems. Every development programme must ensure that it facilitates the introduction of ICT by co-operatives. HRD institutions which train people in co-operative issues should also include ICT skills development in their programmes.

We look forward to taking advantage of the envisaged lower cost of ICT to ensure the sustainability and efficiency of co-operatives.

10.0 Research and Development

The Maseru Ministerial Conference observed that investment and research are critical for co-operative movements that want to remain relevant to its members and to be able to compete effectively in competitive markets. Formative process research methodology was identified as being appropriate for

co-operative development. This is because it seeks to collect data, analyze it and feed it back to the co-operative movement for detailed discussion in order to design new courses of action initiating change innovation and development.

The Maseru Conference therefore recommended that each movement carry out a census of all co-operatives in the country. This will constitute the foundation of a responsive co-operative information system.

To realize these objectives, ICA Africa has developed and promoted the Co-operative Data Analysis Systems (CODAS) to countries in the region. So far the system has been introduced and implemented in the Lesotho, South Africa, Tanzania, Ethiopia, and Uganda. In Kenya the CODAS was introduced, but is yet to be implemented. Several countries have reported about the system in their reports.

The ICA also conducted a research on *The Socio-Economic Impact of Co-operatives in Africa and their Institutional Context*. Research is also carried out at the country level.

11.0 Concern for Community

The Maseru Conference recognized the centrality of the co-operative community as producers and consumers and their implication to the environment. Co-operatives were encouraged to be proactive in natural resource management and environmentally sustainable agro-production systems.

Most countries reported progress in this area. Activities undertaken include involving co-operatives in waste management, tree planting, agro-forestry management, and getting involved in alternative sources of energy.

The global ICA has established a Committee on Climate Change on Co-operatives and is requesting the region to be involved and participate.

12.0 HIV and AIDS

The Maseru Conference recognized that in all countries the co-operative movement is an active partner in the national HIV/AIDS prevention programmes both at national and primary society levels.

Most countries reported that HIV/Aids is still a threat to the co-operative movement. Therefore, strategies and measures for mitigation are still needed to be put in place or implemented. These strategies would help to consolidate the trend of reducing the prevalence of HIV/AIDS as reported in most countries.

13.0 Emerging Issues

13.1 Relevant taxation for Cooperatives

Taxation is a government requirement. Companies and individuals pay taxes to the government to enable it to primarily finance national economic and political developments and regulate economic market forces. Co-operatives are expected to operate as service oriented business organizations. They are not profit making organizations. Members of co-operatives are also owners. Members of co-

operatives cannot make profits from among themselves as customers and owners. The concept that co-operatives businesses are non-profit making institutions flows from the fact that co-operatives are self-serving organizations. Taxable income in any business should relate to income generated by use of working capital and that working capital must belong to the business. For income generated through working capital to be taxable, the motive of the business must be profit oriented. Organizations that are not profit oriented that serve their own members at a cost should be exempted from paying tax.

13.2 Auditing Standards and Procedures for Cooperatives in the region

Auditing is an independent examination, evaluation, and investigation of the overall operational performance, including financial transactions, of an organization or a particular project or activity.

The co-operative identity has been recently challenged by the International Standard Board (IASB). Their intention was to adjust their provisions with regard to the treatment of shares in co-operatives for accounting purposes. ICA was concerned that co-operatives shares hitherto regarded as equity will be regarded as debt. This is a very serious issue as it fundamentally challenges the whole basis of ownership in a co-operative enterprise. If accepted the change will have a negative impact on co-operative balance sheets and considerably complicate co-operative enterprises' access to finance, thus threatening their viability as enterprises. The ICA has established a working group to follow up the issue and good progress has been reported.

13.2. 1 Audit and Value Addition:

Member Allegiance Audit

The best way to differentiate a co-operative is by consistently stressing values to members and potential members. There is growing evidence that proves the members will respond to this message by bringing more business to the co-operative.

Employee Advocate Training

Employees need to understand what it takes to develop members into true advocates for the co-operative. The management and staff need to be consistent when it comes to communicating the unique value proposition to the members.

In order for members to find a reason to become a "True Advocate", employees need to be true advocates. Having a decent place to work and receiving a paycheck is not enough to convince the employees of the co-operative values. Employees need to see how the co-operative business model is superior to private businesses for making a difference in the member's life. The management and staff need the skills necessary to convince members that the co-operative values and principles are only as important as the members believe in them.

Communications Audit

It is necessary to analyze all of the members' marketing and promotion communications and make specific recommendations to improve the consistency and effectiveness of communications. This is the first step in ensuring members understand the unique value proposition.

Member Loyalty Audit

The Member Loyalty Audit profiles members using three distinct groups; **True Advocates**, **Potential Advocates**, and **Free Riders**. Most members love their co-operative and credit union and say they would recommend it to their families and friends, yet little evidence exists that they do what they say.

It is necessary to audit members' current behavior and attitudes toward the co-operative to learn which members are more likely to respond to the principles and values in order to build member loyalty and greater participation. The Audit includes 'actionable' recommendations that will lead to increased member loyalty and greater wallet share.

Loyalty Management

Regularly measure members' loyalty and use the information to reward employees, improve performance, and drive profitability and growth.

Members' loyalty is measured on:

- Their likelihood to continue to do business with the co-operative, and
- Their likelihood to recommend the co-operative to their friends and colleagues

Loyalty Management provides monthly or bi-monthly reports that show the level of success in meeting members' expectations and their level of loyalty. One can track the results from each report over time to see if the level of loyalty is increasing or decreasing.

13.3 Tariffs charges on goods and services hindering regional trade

Among co-operatives.

Governments should address the issues of tariffs on goods and services to enhance regional trade between co-operatives.

13.4 Co-operative Regional Trade

ICA Africa needs a structure that is built to co-ordinate and link co-operatives in Africa with co-operatives within and outside Africa in practical trade connections through long term trade agreements with co-operative organizations worldwide. A unit could be established within the ICA Regional Office to work closely with co-operative apex organizations.

13.4. Regional Co-operative Trade Fairs

The co-operative movements in the region need to organize trade fairs to facilitate sharing of information to encourage regional trade through co-operatives.

13.5 Capacitating the ICA Regional Office

At the global level, ICA is administered through representative continental networks including, ICA Asia and Pacific, Coops Europe, ICA Americas and ICA Africa. The Regional Office of ICA Africa is in Nairobi, Kenya. To be able to handle the co-operative challenges outlined above, there is need to cultivate a joint commitment to support the ICA facility for co-operative development in Africa.

Like all other continental networks of the ICA. The African ICA network requires immediate support from the co-operative member countries. But also needs financial support from national governments for a period of five years before the members can carry the responsibility for running the office.

Currently, ICA Africa does not have the resource capacity to have an impact in carrying out joint member country intervention programmes for sustainable development in Africa. The Abuja Regional Assembly proposed the formation of the ICA Africa Endowment Fund for Co-operative Development in Africa.

This is a long term ambition of the Regional Office. It is also a major intervention of the current strategic plan for the office. Strategically, administrative operations of the Regional Office need to be handled by a well funded office which should execute its responsibilities all the time. This will include the design and facilitation duties of the Regional Office as may be demanded by the unique position of the African co-operative movement from time to time. The establishment of the Endowment Fund will also be catalyst and nucleus of international support from development partners and governments across the world. The main function of such a fund, however, will more be confined to the day to day running of the office and play its role in supporting the co-operative movement in the region.

13.6 Monitoring and Evaluation Mechanism

The need was identified to establish methods of monitoring the implementation of the resolutions of the Ministerial Conference. How do we ensure that Ministers monitor what they resolve? Frequency of meetings may also require review.

13.7 Methodology of the MCTC

The current methodology of the Ministerial Conference involves presentation of country reports by the participating countries and drawing resolutions from the reports. It excludes thematic issues which may be a better reflection of the contemporary issues affecting the co-operative movement. The MCTC was concerned about what improvements may require to be made in order to capture thematic issues for presentation to the meetings. Suggestion of one day to deal with thematic issues and one day with reports was made as a compromise. The thematic issues could well include the issues captured in the 4 Year Strategy Plan for ICA Africa.

14.0 Theme for Ministerial Conference

The MCTC agreed on the Theme for the Ministerial Conference, 2009 to be:-

“Driving Africa’s Socio-Economic Recovery through Innovative Co-operative Enterprise