



A New Generation of Cooperatives for Africa

Key messages

- *Africa needs a new generation of farmer cooperatives to promote and facilitate the development of local and inclusive agribusiness.*
- *New generation cooperatives need to evade side-selling by member-farmers to maximize and sustain collective sales and capital generation over time.*
- *Policy and governance reforms are necessary to enable the rise of a new generation of cooperatives in rural Africa.*

Introduction

How to transform rural communities and farmer associations in Africa into modern and competitive enterprises, while preserving cooperative principles? How to develop democratic and farmer-owned cooperatives that can also boost agri-business?

40% of agricultural commodities produced in the European Union (EU) are marketed through cooperatives. While in Africa, less than 5% of the agricultural surplus is sold through cooperatives. This shortfall is not due to lack of farmer cooperatives over the African continent. Here, every other rural village has at least one cooperative. Low commercialization by African cooperatives is due to “side-selling”, as member-farmers prefer quick, farm-gate and arm-length transactions with itinerant middlemen.

Side-selling by member-farmers disrupts internal cohesion in cooperatives and affects the capacity of these organizations to vertically integrate into value chains and become viable businesses. A large body of research recommends African farmers to market their produce collectively, through cooperative organizations, in order to increase revenues for member-farmers. Hence, the main challenge for African Cooperatives is to convince their farmers to engage in collective marketing.

The EDC initiative

The International Center for Tropical Agriculture (CIAT) and the Technical Centre for Agricultural and Rural Cooperation (CTA) have been leading the EDC (Enhancing Development through Cooperatives) initiative for about three years. The main output of this collaboration includes eight “Cooperative Platforms” in eight African countries: Uganda, Malawi, Madagascar, Ethiopia, Senegal, Ghana, Tanzania, and Rwanda. Each platform involved the gathering of 100 leaders and managers of national farmer coops, as well as 50 among their service providers, donors, investors, and policymakers. Each platform engaged the participants for five days in data collection, training and coaching, knowledge exchange and networking activities, in order to trigger reforms and innovation in the governance of national farmer coops. These platforms allowed us to collect detailed and multi-country data and to strengthen the organizational, leadership, and management capacity of about 800 farmer coops. They have also kick started new efforts to reform policy and legal frameworks and established new public-private partnerships to optimize or scale up the impact of cooperative development interventions.

Study results

The analysis of the data collected through the Cooperative Platforms suggests that a coop in Africa is more likely to mobilize and sustain collective marketing when it pursues the following strategy:

- to procure as much produce as possible from each and every member-farmer, rather than strive to increase collective sales through membership expansion.
- to ensure that the amount and quality supplied by member-farmers are as homogeneous as possible, so as to avoid internal frictions and inefficiencies.

- to offer price incentives and quick (or on the spot) payments to member-farmers, and enforce sanctions against side-sellers.
- to professionalize its leadership, through the hiring of university educated and ICT skilled managers.

African cooperatives that succeed in mobilizing and sustaining collective marketing are also more likely to adopt the six principles described in Table 1, which are derived from the universal cooperative principles of ICA (International Cooperative Alliance).

Table 1. Six governance principles most likely to be adopted by cooperatives that succeed in mobilizing and sustaining collective marketing.

ICA Principles	Principles for cooperative agribusiness in Africa
<p>Open and voluntary membership: coops are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.</p>	<p>1) Regulate entry: coops need to be pragmatic in applying the traditional principle of open membership, in order to avoid the inclusion of free-riders and the risk to end up with a production that exceeds market demand (thus driving down the price received by members). Coops need to regulate entry so as to manage excessive growth in production, maintain members' cohesion, and thus minimize the risk of side-selling.</p>
<p>Democratic member control: coops are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary coops members have equal voting rights (one member, one vote) and coops at other levels are also organized in a democratic manner.</p>	<p>2) Incentivize exit: members are usually discouraged from quitting a coop, by either exit sanctions or fees, or by the prospect of receiving unfair pay-offs for the investments they made in common assets (warehouses, offices, processing plants, etc.). In this way, coops tend to hold on to members that no longer want or can engage in collective marketing. A coop should instead offer exit bonuses to members who want to quit, to avoid side-selling problems.</p>
<p>Member economic participation: is another one of the defining features of co-operative societies. Members contributions are expected to set up common reserves, part of which at least would be indivisible; seek service provision in proportion to the value of members' transactions with the coop; and support other activities approved by the membership.</p>	<p>3) Democracy needs structure: coop leaders and managers must take their time, seek internal consensus and external advice in order to define the constitution and bylaws of their organizations. Once the governance structure of a coop is defined, it is difficult to change it, as members' interests tend to diverge over time and democratic decision making is time-consuming and costly. In particular, a coop needs to be designed from the start in such a way to prevent and confront members' side-selling (through the application and enforcement of the other 5 principles).</p>
<p>Autonomy and independence: coops are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so in terms that ensure democratic control by their members and maintain their co-operative autonomy.</p>	<p>4) Voluntary and tradable investments: the indivisible part of the asset or endowment of a coop needs to be kept as small as possible. This is not usually the case as the amount and type of investments made by African coops are often decided by their leaders and managers and uniformly imposed onto members. In addition to this, when a member decides to quit a coop, his/her share of the indivisible asset is then redeemed by the coop. Indivisibility and redeemability discourage members' investments in a coop. But investments are necessary to mobilize and add value to collective marketing activities. Members thus need to be given the opportunity to choose what investments to make, through the voluntary purchase of shares. And members also need to be able to trade their shares with each other (albeit upon the approval of the board).</p>
<p>Social responsibility of coops:</p> <ul style="list-style-type: none"> ➤ <i>Education, training, and information</i> ➤ <i>Cooperation with other cooperatives</i> ➤ <i>Concern for community</i> 	<p>5) Visionary leadership: the provision of economic incentives to coops can induce undesired effects, such as frictions, disenfranchisement and thus side-selling among members. Coops need to anticipate external incentives to prevent undesired effects. Visionary leadership thus means to anticipate external incentives through preemptive communication, in order to keep motivating and inspiring members to engage in collective marketing.</p> <p>6) Socio-economic balance: community development, mutual support, and extension services are the core social and short-term needs of coops. But a coop must also try to anticipate changes that are likely to occur over the long term. Once a coop satisfies the initial and defensive needs of members, it then needs to start pursuing more offensive objectives, such as collective marketing. However, coops that are solely established and designed to pursue social and short-term needs struggle to then mobilize collective marketing, when this need arises.</p>



Some of the leaders and managers of African cooperatives who were trained (Nicola Francesconi, CIAT-CTA).

Policy recommendations

This brief proposes a strategy and a set of principles for unleashing cooperative agribusiness in Africa. The proposed strategy and principles are driven by the need to help cooperatives evade side-selling by their member-farmers to mobilize and sustain collective marketing activities. In doing so, this brief challenges the conventional belief that a cooperative needs to have a large membership to be considered successful. It also suggests that African cooperatives tend to be more equitable than efficient, and how to strike a better balance.



Finally this brief emphasizes that the universal cooperative principles of ICA should not be seen as dogmas, but interpreted and applied accordingly to the specific and fundamental problems faced by cooperatives across economic sectors. Agricultural cooperatives in Africa are often governed by one Ministry, which is also expected to govern transport coops, saving and credit coops, health insurance mutuals, housing coops, etc. More specialized and decentralized governance is needed to help agricultural coops in Africa address their specific and fundamental problem associated with members' side-selling. The EDC Cooperative Platforms are an actionable example of how to go about it in order to improve specialization and decentralization in the governance of African agricultural coops.

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Further reading

Full research article:

Francesconi GN; Wouterse F. 2017. Principles and metrics for cooperative agribusiness in Africa. Mimeo, CIAT and CTA. Available at: <http://bit.ly/2sqzBAY>

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