

Cooperatives can transform African economies

By Nathan Were

WITH the financial economic meltdown taking toll on most world economies, one question that has been posed by financial experts relates to the relevance of the cooperative business model in the 21st Century.

The crisis has had grave effects on world financial institutions largely manifested through the collapse of numerous banks in the US, EU, UK and massive bail-out plans for banks as well as countries with Greece suffering the recent impact of the crisis.

Whilst this has been going on, the cooperative business enterprises have shown resilience to the crisis successfully managing to wither through its effects.

Available evidence indicates that cooperatives around the world continue to show resilience to the crisis with Savings and Credit Cooperatives (SACCOs), building societies and cooperative banks all over the world reporting that they are still financially sound. In fact, Rabo Bank, a Cooperative Dutch-based bank has been rated the 3rd safest and the biggest Agricultural Bank in the world in the wake of economic turmoil.

Financial cooperatives remain financially sound; consumer cooperatives are reporting increased turnover; worker cooperatives are seeing growth as people choose the cooperative form of enterprise to respond to new economic realities.

On the other hand privately owned equity businesses have been closing shop, including our very first victim in

Uganda, GTV.

But what is it with the cooperative business that has enabled the approach to maintain this resilience? Cooperatives are member-owned, member used and managed businesses. The simplest way to understand them is that they aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness.

The Business enterprises are guided by a set of principles which include; voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community.

The first four of these are core without which a cooperative would lose its identity; they guarantee the conditions under which members own, control and benefit from the business. The education principle is a commitment to make membership effective and so is a precondition for democratic control, while cooperation among cooperatives is really a business strategy without which cooperatives remain economically vulnerable.

The last principle, concern for community, recognises that, unlike investors, cooperative members tend also to be members of a particular community and all the benefits that the cooperative generates are shared and infused back in the community. This is opposed to private equity businesses where profits generated from the business are repatriated.



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Available evidence further indicates that the cooperative business enterprises tend to last longer as compared to private equity businesses. Cooperatives live within the community and they are the

community, while private equity firms will close shop or shift to other countries where the returns are higher or production costs are lower.

Uganda has over the years consistently supported the

cooperative movement but a lot still needs to be done. Cooperatives will be the foundation block for Uganda's economic transformation and government should support

the cooperative movement. Around the world, cooperative continue to play a fundamental role in agricultural development. In fact, over 50 per cent of the world's agricultural

production is marketed through cooperatives. The future of the African economies will most likely depend on groups of organised people working together to deal with their

common problem. MONITOR The writer comments on microfinance and cooperative development issues. were.nathan@gmail.com