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Coop<sup>AFRICA</sup> Working Paper No. 8

# Cooperatives and development: a case of citizen economic empowerment in Botswana

Thabo Lucas Seleke and Mogopodi Lekorwe





The Cooperative Facility for Africa (Coop<sup>AFRICA</sup>) is a regional technical cooperation programme of the ILO contributing to the achievement of the Millennium Development Goals and the promotion of decent work in Africa by promoting self-help initiatives, mutual assistance in communities and cross border exchanges through the cooperative approach.

Coop<sup>AFRICA</sup> contributes to improving the governance, efficiency and performance of primary cooperatives, other social economy organizations and their higher level structures in order to strengthen their capacity to access markets, create jobs, generate income, reduce poverty, provide social protection and give their members a voice and representation in society.

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## List of abbreviations

ADF	African Development Fund
BAMCU	Botswana Agricultural Marketing Cooperative
BCU	Botswana Cooperative Union
BMC	Botswana Meat Commission
BOCA	Botswana Cooperative Association
BOSSCA	Botswana Savings and Credit Cooperative Association
BWP	Botswana Pula
CASP	Cooperative Agricultural Society's Proclamation
CODEC	Cooperative Development Centre
CRF	Cooperative Revolving Fund
EEC	European Economic Community
FAO	Food and Agriculture Organization
ILO	International Labour Organization
NDP	National Development Plan
NPCD	National Policy for Cooperative Development
SACCOs	Savings and Credit Cooperatives
TCP	Technical Cooperation Programme
UB	University of Botswana
UNDP	United Nations Development Programme
US\$	United States Dollar
ZAR	South African Rand

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## **Executive summary**

The cooperative movement in Botswana has been expected to serve a broad set of socio-economic and political objectives. The government perceives cooperatives as a means for empowering its people to own businesses and in the process acquire entrepreneurial skills that can enable them to participate in social and economic development. In Botswana, cooperatives were established by the government immediately after independence and operated within the interests of the Government, as outlined in the Cooperative Societies Law. Through this law, the government assumed the responsibility for the promotion and organization of cooperatives.

However, the cooperative movement in Botswana has since experienced some turbulence in its development. The first two decades of their operation showed remarkable results and growth. Cooperatives presented themselves as a model of success which other countries could adopt. However, the legislative framework subjected the movement to excessive control and manipulation, which stifled the development of the movement. Though the cooperative movement may seem fairly large with 166 registered cooperatives and an estimated membership of approximately 82,000, it is only a handful of these cooperatives that have managed to operate efficiently. Cooperatives have subsequently not managed to create employment opportunities and provide social protection to the members. At the same time, the general indication is that their economic output is small and it is clear that their impact on the economic status of their members is not significant.

The overall analysis of the movement clearly show that it has not been doing well and it has not been able to build up a well patterned structure nor the capacity for self-management at the primary, secondary and apex levels. At the lowest level, primary cooperatives have not been able to contribute significantly to economic empowerment of their members, nor have they been able to ensure social protection for their members. At the apex level, the movement is faced with serious challenges - that is, they are basically struggling for survival. While the Government has made attempts to revitalize and revamp the movement from its moribund status, it has not been able to raise funds for itself and is highly dependent on the Government for financial resources as well as technical, managerial and administrative support.

The Department of Cooperatives, which provides the legislative framework and should take the lead in providing stewardship, is not helping the situation. Instead, it is contributing to conflicts between primary cooperatives and federations, by encouraging the former not to recognize the latter and clinging on to the operations of the federations. The Department has also failed to produce annual reports over the last seven years; it has also failed to carry out annual audits. The Department is also faced with institutional dilemmas, where some cooperatives are being administered from the Ministry of Agriculture and others from the Ministry of Trade; with all of them operating under the control of one Commissioner as prescribed in the Act. If this is left un-checked, it has the potential to breed conflict as well as creating organizational and structural problems. It may also create ministerial tension and the ultimate failure of the coordinating role of the Commissioner of Cooperatives.



## 1. Introduction

The cooperative movement in Botswana has witnessed frequent and major changes in its development, which have subjected the movement to many challenges and limitations. The challenges encountered have largely been in relation to structural organization, membership, management and affiliation. With regard to membership, they have not attracted the very poor, but rather appealed to the rural elites, and middle income groups. In terms of their organizational structure, the movement has been characterized by lack of commitment from the members, embezzlement of funds, and mismanagement of primary cooperatives. This situation has been exacerbated by the legislative framework that has largely appended cooperatives to the government, with the result that some primary cooperatives function as semi-public bureaucratic enterprises rather than genuine voluntary and private business enterprises.

Overall, the movement in Botswana has not been doing very well and has not been able to build up a well patterned structure, nor has it been able to build up the capacity for self management at the primary, secondary and apex levels. The apex bodies have also completely collapsed and they have in some instances failed to mobilize resources on their own, which has quite often required them to rely almost entirely on credit from the Government. The functioning primary cooperatives are performing poorly, while some are moribund.

This study assesses the status and contribution of cooperatives to employment creation, social protection and poverty reduction in Botswana. In particular, it attempts to analyze the implications of the legislative framework and institutional structure of the cooperative movement for its contribution to socio-economic development. The questions that the discussion attempts to respond to include the following:

- What is the institutional structure of cooperatives?
- What are the implications of the legislative framework for cooperative development?
- What is the current status of primary cooperatives, secondary cooperatives and apex cooperative associations in Botswana?
- What is the role of the Government and donors in cooperative development?
- What is the contribution of cooperatives to employment creation, social protection and poverty reduction?

### *1.1 Research methodology*

Most of the data for this study were collected through qualitative interviews with key informants from the cooperative movement in Botswana during October 2008. The informants were purposively sampled, and include representatives from:

- The Department of Cooperative;
- The Cooperative College;
- Motswedi Savings and Credit Cooperative Society Ltd;
- Oodi Weavers;
- Ditswammung Savings and Credit Cooperative Society;
- Botswana Savings and Credit Cooperative Association (BOSCCA).

Supplementary secondary data were gathered through an extensive review of annual reports and other related documents from these organizations.

### *1.2 Organization of the paper*

The paper is organized into four parts. The first part has provided an introduction to the discussion. The second part delves into the history of the cooperative movement in Botswana. The third part deals with the institutional arrangement of the cooperative movement in Botswana and covers within it the role of the Government and donors in cooperative development, as well as the provision of cooperative education and training in Botswana. The fourth part looks into the role of cooperatives in development and considers, amongst other things, the contribution of cooperatives to employment creation and poverty reduction, as well as the challenges that are facing the movement. This is followed by the conclusion.

## **2. The emergence of cooperatives in Botswana**

In Botswana, cooperatives did not spring spontaneously from the local people's interests, as is the case in developed countries. Instead, they were introduced by the colonial government in response to that regime's needs. The first attempt to introduce cooperatives was made in 1910 through the Cooperative Agricultural Society Proclamation (CASP). However, the Proclamation did little to enhance cooperative development throughout the colonial period. A second attempt was made in 1962 when the government enacted the Cooperative Societies Law. The introduction of this law created a two tier cooperative structure in Botswana, consisting of primary cooperative and secondary cooperatives (Government of Botswana, 1962). This law also provided for the establishment of two principal organizational forms in Botswana - the Department of Cooperatives and the Cooperative Movement.

This law saw the Government assume the responsibility of organizing and promoting cooperatives in Botswana. Accordingly, it provided for the appointment of a Registrar (now Commissioner) of cooperatives and made provisions for financial support to

the office of the Registrar, as well as the Department of Cooperatives (Chamme, 1989). Subsequently, the government placed cooperatives under the Ministry of Agriculture, which then set up the Department of Cooperative Development in 1963. The functions of the new department included:

- Promotion of cooperative growth and development;
- Supervision and audit of primary cooperatives' accounts;
- Provision of technical advice to the cooperative movement;
- Provision of training and education of staff, management committee members and members of primary cooperatives.

With this foundation, the cooperative movement developed under the tutelage of the Government, in that the Government played a very crucial role in the establishment of cooperatives and continues to play a vital role in their development and continued existence. Botswana's cooperative movement is comprised of consumer cooperatives, agricultural marketing and supplies cooperatives, savings and credit cooperatives, producer cooperatives and thrift and loan cooperatives. Of these, it is the agricultural marketing and supply cooperatives that were quite predominant and were well-received by farming communities, for they responded to most of their agricultural problems. In particular, marketing of livestock to the Botswana Meat Commission (BMC) became much easier and affordable with these cooperatives. For instance, in 1965 there were four marketing cooperatives as compared to two consumers and two thrift loan cooperatives. In 1971, the number of marketing and supply cooperatives rose to 75 as compared to just 18 consumer cooperatives (Department of Cooperatives, Annual Report, 1978).

According to Modukanele (2005), there was a phenomenal growth of the cooperative movement in Botswana between 1964 and 1978. Most of the growth was recorded in the agricultural marketing and supplies cooperatives and consumer cooperatives. This growth was evidenced by the considerable increase in livestock sales from ZAR 100,480 (US\$ 12,560) to ZAR 432,000 (US\$ 54,000) in 1972. In 1974, the turnover of consumer cooperatives stood at ZAR 690,920 (US\$ 86,365) and rose to BWP 6,419,982 (US\$ 917,140) in 1978. The combined assets of both marketing and consumer cooperatives increased sharply from ZAR 541,148 (US\$ 67,644) in 1974 to BWP 336,217 (US\$ 48,031) in 1978. The livestock from freehold farms marketed to BMC by cooperatives represented eight per cent of its output; cooperatives handled 15 per cent of BMC's output from communal areas (Department of Cooperative Development, Annual Report, 1978). Livestock marketing was very much popular amongst farmers in communal areas, as it reduced their marketing margins and they enjoyed economies of scale through group action. As a result of this in 1978, cooperative livestock sales to BMC reached BWP 3,459,627 (US\$ 494,232). Livestock sales in 1978 represented 15 per cent of BMC throughout having reached a high of 18 per cent in 1977 before the Foot and Mouth disease outbreak in Ngamiland (Department of Cooperatives Development, Annual Report, 1978).

The 1980s witnessed the emergence of institutional Savings and Credit Cooperatives (SACCOs) in Botswana for the first time. These were initiated by individuals employed in the same institution that could not access credit services from the formal banking sector. SACCOs instantly became very popular among salaried groups of people in different sectors of the economy.

The 1990's saw the emergence of yet another type of cooperatives in Botswana, namely producer cooperatives. The government encouraged the development of these cooperatives as a means of diversifying the agricultural base, as well as encouraging more people to engage in profitable agricultural activities. It was felt that with these cooperatives, people would generate for themselves gainful employment opportunities that would bring about steady flow of income for the betterment of their living conditions.

### 2.1 Cooperative development in the 1990's and beyond

Relative to the 1970s and 1980s, cooperative development in Botswana slackened from the mid 1990s onwards. Table 1 provides statistical data that generally illustrates this trend.

**Table 1: Number of registered cooperatives in Botswana, 1996 - 2002**

Type of Society	1996	1997	1998	1999	2000	2001	2002
Consumer	12	12	12	12	12	12	12
Multipurpose	62	67	67	68	68	67	67
Marketing	16	16	15	15	15	16	16
Producer	3	3	8	8	8	3	4
Savings and Credit	38	42	42	42	42	42	45
Secondary	3	3	2	3	3	3	3
Totals	134	143	146	148	148	143	147

Source: Department of Cooperative Development, Annual Reports 1995/96, 1999/2000, 2000/01, 2001/02

It is clear from the table that the growth of consumer, agricultural marketing and supplies and secondary cooperatives in Botswana remained stagnant between 1996 and 2002. There was only marginal growth in multipurpose and savings and credit cooperatives during this period. It is, therefore, not surprising that the total number of cooperatives in Botswana marginally increased from 134 in 1996 to just 147 over the next six years.

The membership of these organizations also grew rather sluggishly during this period. Data in Table 2 illustrates this point, despite the seeming inaccuracy in the sources of the data.

**Table 2: Cooperative membership in Botswana, 1996 - 2002**

Cooperative Type	1996	1997	1998	1999	2000	2001	2002
Consumer	27514	28634	25088	20328	30876 (19830)	30510	30866
Multipurpose	38099	32039	33669	21428	44280(15311)	41649	42151
Marketing	8151	8117	7865	7850	7902 (8025)	7875	7720
Producer	52	47	47	50	758 (52)	755	753
SACCOs	6343	6352	9079	7843	10394(6963)	10343	10701
Totals	80159	75189	75748	57499	94210 (50181)	91132	92191
Rate Change	N/A	-6 %	-1 %	-32 %	-13 %	-3 %	1 %

Source: Department of Cooperative Development, Annual Reports, 1995/96, 1999/2000, 2000/01, 2001/02<sup>1</sup>

It is surprising that the same source had two different sets of cooperative membership figures for the year 2000. The Department of Cooperative Development produced membership figures in the 2000/2001 Annual Report (in brackets in Table 2), which were not reproduced in the 2001/2002 Annual Report. The figures for the 2000 that are not in brackets in Table 2 were the ones contained in the 2001/2002 Report. This is perhaps the clearest indicator of the lack of reliability of the available statistical data on the cooperative movement in the country. Nevertheless, the available data shows a general decline in the membership of cooperatives in Botswana. The seemingly significant increase in the membership of these organizations between 1999 and 2001 may well be an error arising from poor recording and inconsistencies in data collection. Unfortunately, even such erroneous data has not been available since 2002, when the Department of Cooperative Development stopped producing the annual reports. In the absence of such records, it was learned from the interviews that there were approximately 166 registered cooperatives in Botswana, with a total membership of approximately 82000 in 2008 (interview with the Commissioner of Cooperatives).

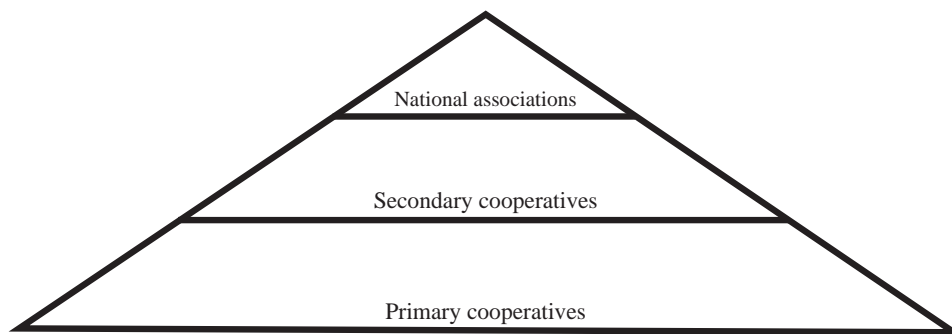
In 2003, the Department of Cooperative Development was transferred from the Ministry of Agriculture to the Ministry of Trade and Industry, except for the division dealing with agricultural cooperatives. This change essentially split the Department into two – that is, one section dealing with agricultural cooperatives under the Ministry of Agriculture and other one dealing with other forms of cooperatives under Ministry of Trade and Industry. However, cooperatives still operated under the guidance of the same legislative framework, with the Commissioner of Cooperatives being at the helm of cooperative development. This split gave the Ministry of Trade and Industry an opportunity to establish a Cooperative Development Unit, which later on formulated the National Policy for Cooperative Development (NPCD), to guide cooperative development in the country. If left unchecked, this development may create parallel systems of cooperative control in future, with adverse implications for the coherent management of cooperatives.

<sup>1</sup> From 2002 to date Annual Reports have not been produced.

### 3. Institutional structure of the cooperative movement in Botswana

The cooperative movement in Botswana is, in theory, organized in a three-tiered pyramidal structure as provided for in the National Policy for Cooperative Development. The three tiers consist of primary cooperatives at the bottom; secondary/regional cooperatives in the middle; and national cooperative associations at the top of the structures. Primary cooperatives include thrift and loan cooperatives, which accept savings and give loans; consumer cooperatives, which operate retail outlets for consumer goods; agricultural marketing cooperatives, which market livestock and supply farm inputs to members; and multi-purpose cooperatives, which market farm produce and sell consumer goods; and several other cooperatives that cater for horticulture, fisheries, weaving, etc (NDP 1985-91, P.172). Secondary cooperatives are those which support primary cooperatives by providing them with loans and other support services. Figure 1 below illustrates the structural organization of these cooperatives in Botswana.

**Figure 1: The structural organization of cooperatives in Botswana**



Source: Department of Cooperative Development

However, in practice, this structure does not operate as a single unit. Primary cooperatives are not dependent on the secondary cooperatives to carry out their activities; neither do secondary cooperatives require the national cooperative associations to function. The few national cooperative associations that have been set up, have been a major disappointment for the independence of the cooperative movement, for most of them have largely been under government control and have depended on government subsidies to exist. Examples in this regard include BOSSCA and BOCA that have been dependent on the government, while Botswana Cooperative Union (BCU) has depended heavily on donor funding to survive. Although attempts have been made to revive these national associations, they still face numerous challenges in their operations.

### 3.1 *The role of government in cooperative development*

The stated role of the government in cooperative development has been to create an enabling legislative and policy environment for cooperatives. Nevertheless, the government has endeavored to promote the development of cooperatives in order to use them as instruments for implementing its socio-economic policies. It was for this reason that at independence, the government sought to use cooperatives as instruments for promoting economic development, especially in the rural areas. This drive prompted the government to steer the emergence of strong, viable and efficient cooperatives by directing the formation and management of these institutions through the promulgation of the Cooperatives Societies Act in 1962 (Government of Botswana, 1962). This Act provided the basis for the establishment of the Office of the Registrar of Cooperatives with a mandate including:

- Registering cooperatives that had their objects as the promotion of economic interest of members in accordance with cooperative principles;
- Facilitating efficient operation of such cooperatives;
- Auditing or causing to be audited accounts of every registered cooperative;
- Liquidating any registered cooperative after holding an inquiry or making an inspection or receiving an application by three quarters of the members.

Section 8 of the Cooperative Societies Act allows:

A society which has its principal object the promotion of the economic interests of its members in accordance with cooperative principles, or a society established with the object of facilitating the operations of such a society, and complying with the provisions of this Act, [to] be registered under it with or without limited liability.

Though membership is open to all, the Act provides for the minimum number of persons who can form a cooperative on the basis of the type of cooperative. Section 10 of the 1989 Cooperative Societies Act states that an application to register a cooperative shall be submitted to the Commissioner on the prescribed form which shall be signed:

- a) (i) In the case of a primary cooperative that is a producer cooperative, by at least 15 persons qualified for membership in terms of section 29, or  
(ii) In the case of a primary cooperative that has as its object the promotion of thrift and the acceptance of savings from members and the provision of loans to its members for productive and provident purposes, by at least 50 persons qualified for membership in terms of section 29, or  
(iii) In the case of any other primary cooperative, by at least 20 persons qualified for membership in terms of section 29.
- b) In the case of a secondary cooperative, by two authorized officers of at least two primary cooperatives.

Once registered, a cooperative legally represents its members' interests. In theory, cooperatives are controlled and owned by their members, with the general meeting of members being the highest decision-making organ. Section 41 of the Cooperative Societies Act states:

The authority of the members as joint owners of the cooperative is vested in the general meeting of members and subject to section 31, every member shall have the right to attend, speak and vote at every general meeting.

For their day-to-day management, some cooperatives have established a number of other committees, such as a management committee or a credit committee to run their affairs.

Cooperatives are linked to the government through the Department of Cooperative Development. It is through this department that the government guides, supervises and controls cooperatives in Botswana. This department performs two key functions:

- The legal function that entails the regulation of cooperatives;
- The development function that entails the support and promotion of cooperatives.

It is in line with these development functions that the Government also acts as a financier to the cooperative movement. The financial support takes the form of loans, guarantees, subsidies or grants. However, loan capital is the most utilized form of governmental financial support to the cooperative movement in Botswana.

Section 67 (1) of the Cooperative Societies Act spells out how the capital of cooperatives is supposed to be raised. Such capital may be raised from sources including:

- Membership fees;
- Payment of shares;
- Savings deposits from members;
- Surplus carried to reserve funds; Loans or deposits from non-members.

Even though members are expected to acquire shares in the cooperative, at least one share, the capital raised from these shares tend to constitute a small part of the overall funds required to effectively run the activities of a cooperative. This explains why many cooperatives in Botswana tend to rely heavily on external funding, particularly from the government, rather than their equity shares, in order to run their affairs.



### 3.2 Cooperative education and training

In the absence of a formal cooperative college in Botswana, the Cooperative Development Centre (CODEC) was established in 1972 and operates under the Department of Cooperative Development. This is the only institution that provides cooperative education and training in the country. Its objectives include:

- Providing education and training to both the cooperative movement and the general public;
- Providing sound and high quality business advisory services to the cooperative movement;
- Equipping trainees with business skills and expertise necessary for the survival of the cooperative movement within the dynamic business world;
- Providing facilities for cooperative education and training, workshops, courses and seminars.

The Cooperative Development Centre offers both long and short term training programmes. The long-term courses are examinable courses that run for 3 to 5 months, while short-term courses run for a week or less and are not examinable. The target participants for the long-term courses are cooperative managers, book keepers and tellers. These courses are offered in two modules: Cooperative Book-keeping and Management I and Cooperative Book-keeping and Management II. The entry requirement for module I is form five, and it is especially appropriate for those who could not be absorbed by the formal schooling system. The entry requirement for module II is a pass in module I courses. Short-term courses are organized around numerous issues that pertain to the cooperative discipline and they are usually offered throughout the year. The selection of participants for these courses is decentralized and done by primary cooperatives through regional and district offices of the Department of Cooperative Development. CODEC offers course in regions and, in turn, cooperatives select and send the list of participants to be considered for training. With regard to member empowerment training workshops, the regional offices are responsible for selecting topics and then preparing the training programme.

Between 2005 and 2008, the CODEC trained a total of 402 participants. The distribution of these participants by the courses that they were trained in is provided in Table 3 below.

**Table 3: Number of participants trained at CODEC, 2005-2008**

Course	2005/06	2006/07	2007/08	2008/09	Total
Cooperative Bookkeeping& Mgt 1	21	25	25	25	96
Cooperative Bookkeeping & Mgt 2	12	15	16	0	43
Cashiers & Shop Assistant Workshop	20	38	41	0	99
Book Keepers Refresher Course	21	28	25	15	89
Customer Care Workshop	23	25	27	0	75

Source: Cooperative Development Centre 2008

Although CODEC has been in operation since 1972, it still faces some challenges, which have adversely affected its training programmes. Some of these include the following.

- The centre is very small and has no boarding facilities for trainees. It depends on the Rural Training Centre for accommodation, which has poor and substandard facilities. This does not create a conducive environment for learning;
- The academic staff are not specifically trained and seasoned professionals, but ordinary government officers who can be transferred any time to another station just like any other officer in the Department of Cooperatives;
- Being a training institute under a division within a department is in itself a challenge. More importantly, this arrangement has denied CODEC proper allocation of financial resources for its development, which has sometimes resulted into budgetary constraints in its operations.
- CODEC offers courses that aim at equipping trainees with generic governmental instructions and control rather than newer courses that could make cooperatives more dynamic and enterprising in the increasingly changing economic environment. Consequently, the courses offered by the centre have not contributed to the emergence of innovative cooperative ventures in Botswana.

### 3.3 *The role of donors in cooperative development*

Since the late 1990's, the cooperative movement in Botswana has not attracted significant donor support, relative to the 1980's when it used to receive enormous support from international donors. The late 1990's marked a significant shift of donor interest from the cooperative movement to other sectors of the economy. However, this should not be interpreted to mean that there has been completely no donor funding to the cooperative movement. The cooperative movement has continued to benefit from International Organizations such as UNDP, FAO and AFD.

UNDP funding has primarily focused on community resilience projects and cluster development. Its involvement has benefited women projects such as "Atlanang Women Textile Group" and "How to Us" in Molepolole. The organization has offered both technical expertise and financial support to pay for renting operating premises and has injected substantial capital to ensure the smooth running and operation of these businesses. Since 2005 UNDP has contributed US\$ 8.2 million to "Atlanang" women textile group. Similarly, Mmadinare Dairy Cooperative Society and Pitshane Dairy Cooperative Society have benefited handsomely from the continued funding of the African Development Fund (ADF).

Donor aid to the agricultural sector has in some cases end up benefiting agricultural cooperatives. Assistance from the Food and Agriculture Organization (FAO) to specific agricultural projects is a case in point. FAO has a Technical Cooperation Programme (TCP) with the government and through that programme FAO is able to play a major developmental role that extends to the cooperative movement in Botswana.

It should also be noted that in the 1980's and 1990's the Cooperative Movement enjoyed a lot of donor support from other international organizations, such as the International Labour Organization (ILO) and the European Economic Community (EEC). The latter played a major role in financing capital projects for BCU in building their warehouses countrywide, while the former played a significant role in financing the construction and capacity building of the first ever cooperative training centre (CODEC). Since then the ILO has also been actively involved in designing training modules used at CODEC and provided technical support in the formulation of the National Policy for Cooperative Development.

#### **4. The performance and contribution of cooperatives to development**

The Government of Botswana has always recognized the significance of cooperatives in the development process through its National Development Plans (NDPs). For example, a recent NDP recognized nine cooperatives to have played an active role in agricultural production and marketing. It was envisaged that cooperative activities would be extended to other sectors of the economy in order to boost household income and ultimately address the pertinent national issues of poverty alleviation and economic empowerment in Botswana. It was also envisaged that women, youth, and other vulnerable groups in society would be able to take advantage of cooperative organizations in order to advance their welfare. This reflects the Government's commitment to reduce poverty and social exclusion through the cooperative movement.

Nevertheless, whether the cooperative movement can effectively contribute to poverty reduction and the general development process is to a large extent a function of its economic performance. Consequently, an analysis of the contribution of the cooperative movement to the development process in Botswana should be premised on the performance of the cooperatives. Accordingly, the 166 registered cooperatives in the country have been categorized in accordance with their performance levels as follows.

**Category A:** This category includes the cooperatives performing well. They have able management and are highly profitable. They are stable in the market place, financially sustainable and economically viable. There are 21 cooperatives and 1 pre-registered cooperative that fall in this category.

- Category B:** Cooperatives in this category are average performers whose profitability range between average and break-even positions. The stability of their management is also average. There are 38 cooperatives and 2 pre-registered cooperatives in this category.
- Category C:** This category comprises cooperatives with results that range from a break-even to a loss-making position. They are not stable financially and their management is generally weak. They are 44 cooperatives in this category.
- Category D:** In this category are the cooperatives that perform poorly, which cannot sustain their operations. A majority of these cooperatives are dormant and ought to be liquidated. A total of 42 cooperatives and 4 pre-registered cooperatives fall in this category.
- Category E:** This category consists of newly registered cooperatives. In 2008, there were nine newly registered cooperatives that had just started operations and one of them was a joint venture company.

This classification system, developed by the Department of Cooperative Development, clearly show that out of the 166 registered cooperatives in Botswana, only 21 fall under the category of good performers, while 38 are average performers. The implication is that only 35 per cent of the cooperatives are in business, with 65 per cent of the cooperatives falling under the category of loss making ventures. This does not give a positive impression of the cooperative movement in Botswana. Therefore, it is questionable as to whether cooperatives can economically empower their membership and make a contribution to poverty reduction and the broader development process.

Significant factors that have adversely affected the performance of the movement have been the continued outbreaks of the foot and mouth disease, as well as the cattle lung disease in certain parts of the country, which dates back to the 1970s. Similarly the cooperative movement has not escaped the wrath of tough competition posed by large chain stores which have penetrated even the remotest areas of the country since the liberalization of the economy. The other major contributing factor has been attributed by the poor performance of the apex associations, such as BOSSCA, Botswana Agricultural Marketing Cooperative Union (BAMCU) and Botswana Cooperative Association (BOCA).

The weak performance of the cooperative movement is reinforced by its uneven penetration across space, which limits the contribution of cooperatives to the broader population. Table 4 provides data on the distribution of the cooperatives in regions of the country by type of cooperative.

**Table 4: Distribution of cooperatives in the regions by type**

Region	Total	Livestock			Multi-purpose	SACCOS
		Consumer	Marketing	Production		
F/town	26	3	5	5	11	2
Maun	12	1	2	N/A	7	2
Serowe	42	5	6	4	18	8
Gaborone	48	3	1	3	11	30
Kanye	25	1	4		10	10
Gantsi	13	N/A	2	N/A	11	N/A
<b>TOTAL</b>	<b>166</b>	<b>13</b>	<b>20</b>	<b>12</b>	<b>69</b>	<b>52</b>

Source: Department of Cooperative Development, 2008

#### 4.1 Cooperatives and employment

Analysis of the contribution of cooperatives to employment requires scrutiny of those people directly employed and those indirectly employed by the movement. In Botswana, there is no official data on persons employed directly by cooperatives. However, it is evident that cooperatives do employ managers, accountants, administrative staff and support staff. The number of persons employed by cooperatives tends to vary with the size and performance of each cooperative, with large and better performing cooperatives employing more administrative and support staff than the small and poor performing cooperatives.

Generally, the available data shows a relatively slow growth in wage employment in cooperatives. As at the end of 2008, cooperatives located in various districts provided direct employment to a total of 736 people, which represents only 0.89 per cent of the total population. Table 5 provides data on the distribution of persons employed in cooperatives by district. The employment levels are mainly drawn from producer cooperatives, whose members are at the same time employees of those cooperatives.

**Table 5: Cooperative employment by district**

District	Total Employment
Central	340
Chobe	3
Gansti	39
Kgalagadi	12
Kgatleng	26
Kweneng	74
Ngamiland	127
North East	2
South East	18
Southern	95
<b>Total</b>	<b>736</b>

Source: Interview with Mr. Modukanele (2008)

#### 4.2 *Challenges facing the cooperative movement in Botswana*

Botswana cooperatives have many challenges and limitations. Most prominent is the lack of management skills, particularly book-keeping and accounting skills. Many cooperatives lack an accounting plan. Cooperative unions and federations in the early 1980's and early 1990's used management tools that had been provided by their donor. The reduced donor support to the cooperative movement in Botswana has also translated to a reduction of skill amongst cooperators.

Training of cooperative leaders and members, as shown in Table 3, is also extremely poor. During the field research, not a single manager could be identified that had attended two or more training courses on cooperative management and business development. Even the training coordinators acknowledged the limitations they have. A glance through the existing training curricula made it clear that the content mainly focuses on elementary book-keeping, rather than cooperative management, marketing and the management of business. This may be attributed to the lack of specialized and professional staff at the Cooperative Training Centre.

The Department of Cooperative Development and the Cooperative Training Centre are also under-funded and thus do not have adequate staff to execute their mandate effectively. The Department suffers from poor budgetary allocations that do not enable it to carry out audits in the primary cooperatives.

The movement is also not functioning as a unit. Some of the national cooperative associations are struggling to get primary cooperatives affiliated to them and are also struggling with being recognized by the Department of Cooperative Development as federations of the cooperative movement. In the circumstances, the cooperative movement is riddled with conflicts and disputes among the members. For example, BOSCCA is struggling for recognition from its affiliates. Even Motswedi Savings and Credit Cooperatives (a SACCO formed by employees of the Department of Cooperative Development) does not recognize BOSCCA and has therefore declined to be affiliated to it. BOCA is also not operating without difficulties. It does not have offices and has no direct access to the Cooperative Revolving Fund (CRF) and its bank account is controlled by the Department of Cooperative Development. In the circumstances, BOCA does not function as an independent cooperative federation because it is run from the Department of Cooperative Development and supervised by the watchful eye of the Commissioner of Cooperatives. It is basically functioning as semi-public enterprise.

The other limitation that has adversely affected the growth of the movement has been the attitudes and commitment levels of the members. It was learnt from the interviews that some cooperative members have high expectations when joining the cooperatives and they consider them to have failed when their perceived social needs are not met by the cooperatives. Thus, most members view themselves as beneficiaries of the cooperatives, but do not see that they have any responsibility or obligations to the functioning of these organizations. Consequently, whenever

their personal needs are not satisfied, members withdraw their support from the cooperatives. This leaves the responsibility of running the affairs of the cooperatives to the management committee, which sometimes fail to execute certain roles due to the lack of members' mandate.

The outbreak and devastating effects of foot and mouth disease in Botswana continues to pose a major challenge and threat to agricultural marketing cooperatives. The last outbreak of this disease occurred in October 2008 in the Gansti district. It is assumed that it killed most of the estimated 300,000 heads of cattle in the area.

The last major challenge that is likely to contribute to conflict within the movement in future has to do with institutional structure of the cooperative movement. The governmental control of the movement is split between the Ministry of Trade and the Ministry of Agriculture. This has in effect split the responsibility of cooperatives into two, with one wing of the movement transferred to the Ministry of Trade and the other remaining at the Ministry of Agriculture. There have been no amendments to the Act to cater for these changes.

## **5. Conclusion**

The cooperative movement in Botswana has experienced some turbulence in its development. The first two decades of operation showed remarkable results and cooperatives presented themselves as a model of success that other countries could adopt. However, the legislative framework has subjected the movement to excessive control and manipulation, which has stifled the development of the movement. Though the cooperative movement may seem fairly large, with 166 registered cooperatives and an estimated membership of approximately 82,000, it is only a handful of these cooperatives that have managed to operate efficiently. Cooperatives have subsequently not managed to create employment opportunities and provide social protection to the members. At the same time, the general indication is that their economic output is small and it is clear that their impact on the economic status of their members is not significant.

The overall analysis of the movement clearly shows that it has not been doing well. Cooperatives have not been able to build up a well patterned structure or the capacity for self management at the primary, secondary and apex levels. At the lowest level, primary cooperatives have not been able to contribute significantly to economic empowerment of their members nor have they been able to ensure their social protection. At the apex level, the movement is faced with serious challenges that include basic struggle for survival. While the government has made attempts to revitalize and revamp the movement from the moribund status, it has not been able to raise funds for itself and is highly dependent on government for financial resources as well as technical, management and administrative support.

The Department of Cooperatives, which provides the legislative framework, should take the lead in providing stewardship. However, their current activities are not helping the situation, rather it is contributing to conflicts between primary cooperatives and federations by encouraging the former not to recognize the latter and clinging on to the operations of the federations. The Department has also failed to produce annual reports over the last seven years; it has also not carried out annual audits. The Department is faced with an institutional dilemma, where some cooperatives are being administered from the Ministry of Agriculture and others from the Ministry of Trade; with all of them operating under the control of one Commissioner as prescribed in the Act. If left un-checked this has the potential to breed conflict, while also creating organizational and structural problems. It may also create ministerial tension and ultimate failure of the coordinating role of the Commissioner of Cooperatives.



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## Cooperatives and development: a case of citizen economic empowerment in Botswana

Thabo Lucas Seleke and Mogopodi Lekorwe

In Botswana cooperatives were established by the government immediately after independence and operated to facilitate the interests of government. The movement experienced phenomenal growth in the first two decades of operation and made substantial contributions to rural development. However, reforms undertaken to mobilize liberalization signaled a new era in cooperative development, leading to stagnant growth, donor flight, decline in membership, poor sales and poor management. Emerging multi-purpose cooperatives encountered stiff competition from large chain stores and marketing livestock cooperatives suffered huge setbacks associated with Foot and Mouth Disease. As a result the cooperative movement in Botswana witnessed tremendous decline and is now in a near state of collapse. The paper highlights the relatively recent emergence of savings and credit cooperatives as the only hope for rejuvenating the Botswana cooperative movement.

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