

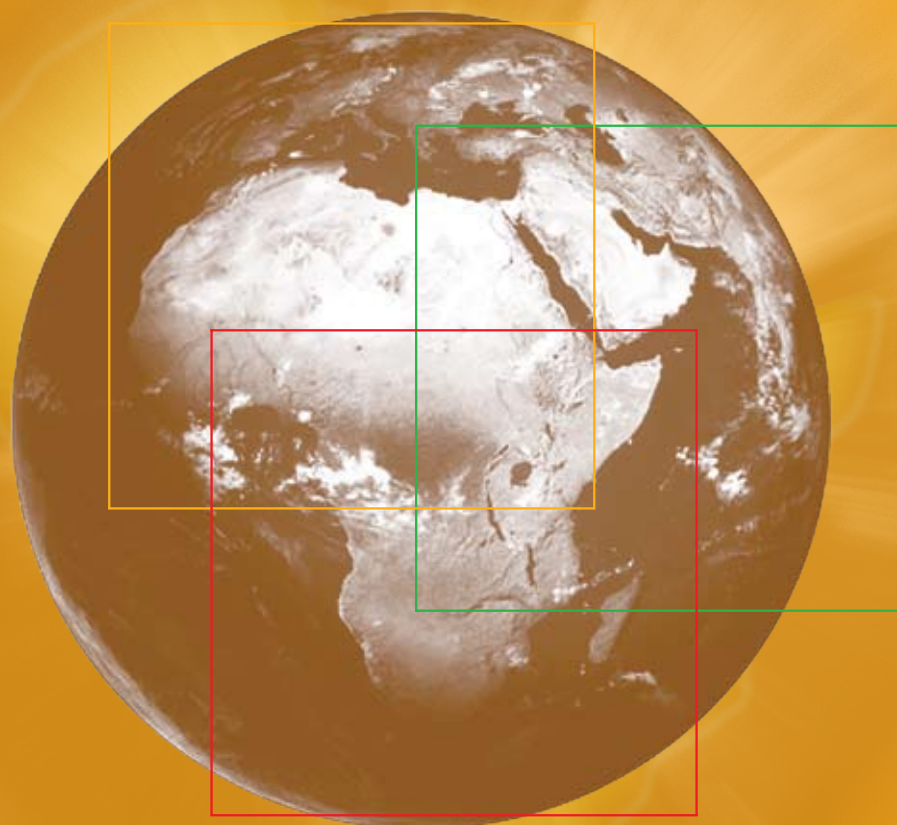


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**Coop<sup>AFRICA</sup> Working Paper No.16**

# Bearing the brunt of a liberalized economy: A performance review of the cooperative movement in Zambia

Peter K. Lolojih





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.

Coop<sup>AFRICA</sup>'s approach consists of assisting stakeholders to establish a legal and policy environment conducive to the development of cooperatives; providing support services through identified 'Centres of competence'; promoting effective co-coordinating structures (e.g., unions and federations) and establishing and maintaining challenge fund mechanisms, for 'services', 'innovation', and 'training'. These funds are accessible through a competitive demand-driven mechanism and a transparent selection of the best proposals.

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## List of acronyms

ADRA	Adventist Development and Relief Agency
AFG	Agricultural Consultative Forum
AGM	Annual General Meeting
ASP	Agricultural Support Programme
ASIP	Agricultural Sector Investment Programme
BDS	Business Development Services
CLUSA	Cooperative League of the United State of America
CUSA-Zambia	Credit Union and Savings Association of Zambia
DAC	District Agriculture Committee
DCU	District Cooperative Union
DWCP	Decent Work Country Programme
FAO	Food and Agricultural Organization
FNDP	Fifth National Development Plan
FSP	Fertiliser support Programme
GDP	Gross Domestic Product
ICA	International Cooperative Alliance
IFAP	International Federation of Agricultural Producers
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
NAMBOARD	National Agricultural Marketing Board
NCDP	National Cooperative Development Policy
PCO	Programme Coordination Office
PCU	Provincial Cooperative Union
PDCU	Petauke District Cooperative Union
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Program
SACCOs	Savings and Credit Cooperatives
SCC	Swedish Cooperative Centre
Sida	Swedish International Development Agency
SNV	Netherlands Development Organisation
TEVETA	Technical Education Vocational and Entrepreneurship Training Authority
UNECA	United Nations Commission for East Africa
USAID	United States Agency for International Development
USD	United States Dollar
ZCF	Zambia Cooperative Federation
ZCTU	Zambia Congress of Trade Unions
ZMK	Zambian Kwacha
ZNFU	Zambia National Farmers Union

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## Executive summary

It is increasingly argued that an effective and sustainable cooperative movement provides an opportunity for strengthening the capacity of small-scale farmers to improve their productivity and also reduce poverty. It is in this regard that the persistence of poverty in Zambia raises questions about the role and effectiveness of the cooperative movement in the country. Do cooperatives have the capacity to trigger economic and social development in Zambia? The purpose of this paper is to provide an overview of the status of the cooperative movement in Zambia, as of 2008. This overview is facilitated by an analysis of the organization, vibrancy, and significance of the cooperative movement, as well as its reaction with the Government's liberalization policies that were adopted in the early 1990s.

The findings of the study indicate that the cooperative movement is generally weak in regard to its income base and organizational structures. Most cooperatives are either defunct or non-performing. There are only approximately 100,000 members across 2,000 active cooperatives. The cooperative movement lacks sufficient visibility and is not capable of providing effective representation for its members. Its confederation, the Zambia Cooperative Federation (ZCF), has not been successful at influencing government policy.

Though the Cooperative Societies Act provides framework for the independence of cooperatives, the Government, upon realization that the movement is on the verge of collapse, is increasing its dominance on the cooperative movement. The proposed National Cooperative Development Policy increases the supervisory mandate of the Department of Cooperatives on the movement at District and Provincial levels. While the weakness of the cooperative movement is exemplified by the lack of financial capacity to sponsor its members to attend the Cooperative College for training, there is proliferation of opportunistic cooperatives that tend to be formed with the sole motive of gaining benefits from the Government's Fertilizer Support Programme (FSP). Although such a programme provides an opportunity for cooperators to improve their farming, it does not guarantee the development of sustainable cooperatives. To illustrate, some beneficiaries have been known to access subsidized fertilizer from the programme, and then sell it for other uses.

The study also indicates that potential for donor support is not effectively utilized by the cooperative movement, largely due to the lack of a well-organized macro-level partner. For instance, the cooperative movement is yet to attract and/or utilize foreign investment opportunities, such as that which has been created by the Rabobank's acquisition of a 49 per cent share in Zambia National Commercial Bank.<sup>1</sup>

Overall, the study has noted that the contribution of the cooperative movement to the country's socio-economic development does not seem to be significant. There are no formal or informal social protection systems and/or services made possible by the cooperative movement. In addition, the extent to which cooperatives are helping to create employment is not known. Internal constraints, such as the failure to hold regular Annual General Meetings, have stifled democratic governance of cooperatives. This has seen members become indifferent towards the activities of their organizations - a situation that means that the voice of the cooperative movement is not heard effectively. However, this paper argues that if the Government adopts a policy of *supporting* cooperatives, rather than *controlling* them, the cooperative movement in Zambia would have the potential to become a viable and sustainable instrument for national development.

<sup>1</sup> [http://www.rabobank.com/content/about\\_us/rabodevelopment/zncb\\_zanaco.jsp](http://www.rabobank.com/content/about_us/rabodevelopment/zncb_zanaco.jsp) - May 15, 2009.



## 1. Introduction

### 1.1 Background

Zambia, like most developing countries, is facing serious challenges in its efforts to reduce poverty. Though the country's Gross Domestic Product (GDP) per capita grew by an annual average of 2.7 per cent between 1999 and 2005, the relatively higher rate of population growth rendered gains made insignificant for poverty reduction. This is evidenced by the fact that the level of poverty only dropped marginally, from 73 per cent in 1998 to 68 per cent in 2004 (UNDP, 2007). Successive governments in Zambia have attributed the persistence of poverty to over-reliance on copper, the country's economic mainstay, which is now being viewed as a 'wasting' asset. They have subsequently called for the diversification of the economy into other sectors, such as agriculture and tourism. It is against this background that the current government launched the Agricultural Sector Investment Programme (ASIP) to consolidate the policy of liberalization and market reform within the agricultural sector. The ASIP was designed as an interventionist strategy to harmonise agricultural development initiatives and optimise the use of resources to reduce poverty through growth and equity (UNDP, 2003).

Agriculture and agro-processing are considered to be among the top productive areas with greatest potential for growth in Zambia. This potential has very important livelihood implications as 68 per cent of Zambia's economically active population are engaged in smallholder agriculture. Thus, improvements in agricultural production are likely to affect a considerable segment of Zambia's population (UNDP, 2000). However, if agricultural activities are to be effectively used as a strategy for reducing poverty, it is important to strengthen the capacity of small-scale farmers and acknowledge that they have contributed significantly to the country's food security.

An effective and sustainable cooperative movement provides an opportunity for not only strengthening the capacity of small-scale farmers, but also reducing poverty. This is the case because part of the mandate of cooperatives is to serve the needs and interests of members' and members' communities. The combination of business enterprises (for the mobilization of productive resources) with the concern for communal welfare has seen many cooperatives support poor people cooperate out of poverty in many parts of the world (Birchall, 2003). It is in this regard that the persistence of poverty in Zambia raises questions about the role and effectiveness of the cooperative movement in the country. Do cooperatives have the capacity to trigger economic and social development in Zambia?

The purpose of this paper is to provide an overview of the status of the cooperative movement in Zambia, as of 2008. This overview is facilitated by an analysis of the organizational structure, vibrancy and significance of the cooperative movement, as well as its reaction to the Government's liberalization policies adopted in the early 1990s. This should help us explain the status of the cooperative movement in the country, as well as the role of Government in cooperative development in the light of a liberalized economy. With regard to the latter, the major issue to observe is whether cooperatives are able to stand on their own - without the controlling influence of government.

## 1.2 Methodology

The study that informs this discussion was both descriptive and explanatory. It was descriptive to the extent that it sought to provide a brief but informative account of the salient characteristics of the cooperative movement, both before and after the liberalization of the country's economy. It was also explanatory in that it examined some potential cause/effect relationships between some variables that have a much more direct impact on the performance of the cooperative movement in Zambia. Qualitative methods were used to collect primary data, although some of the findings are presented in a quantitative format. Purposive sampling was used to select respondents from cooperative organizations and other institutions that work with or have information about the cooperative movement in Zambia. These organizations were largely sampled at the national level, all of them operating from Lusaka. At the local level, two primary cooperatives were sampled with the purpose of undertaking in-depth interviews with both the leaders and members.

At the national level, respondents were sampled from the Department of Cooperatives, Zambia Cooperative Federation (ZCF), International Labour Organization (ILO), Food and Agriculture Organization (FAO), Swedish International Development Agency (Sida), Japan International Cooperation Agency (JICA), Netherlands Development Organisation (SNV), the Cooperative College of Zambia and the University of Zambia. Panjira multi-purpose cooperative and Buyuni multi-purpose cooperative were the two primary cooperatives sampled at the local level, and were also based in Lusaka. These agricultural cooperatives were sampled on the recommendation of key informants that considered them to be 'performing' cooperatives. A total of 26 informants from these organizations were interviewed. Secondary data was obtained from relevant documents made available by some of the institutions visited and various publications.

The *narrative* approach to data analysis has been employed to report on qualitative data collected. This approach has been augmented with quantitative data from various sources where possible. The focus, in this case, was to *tell a story* about the cooperative movement in Zambia, based on the information gathered from the informants.

## 1.3 Guide to the working paper

This section has provided an introduction and description of the methodological approach adopted in this study. Section two provides an historical orientation to cooperative develop in Zambia. This is followed by discussion of the institutional landscape, donor involvement, the vibrancy and employment potential of cooperatives in Zambia. Section three discusses the role of the Zambia Cooperative Federation. Section four focuses on the significance of cooperatives for agricultural development, the role of the Department of Cooperatives, cooperative education, cooperative legislation and policy and how government programmes interact with cooperatives. Section five synthesizes the previous discussion and section six provides conclusions.

## 2. The cooperative movement in Zambia

### 2.1 *Historical background*

The cooperative idea came to Zambia in 1914 when the European settler farmers formed the first primary cooperatives as a means of marketing agricultural produce to the newly opened copper mines along the Copper belt of Southern Zaire (now Democratic Republic of Congo) and Northern Rhodesia (now Zambia). With time, many cooperatives developed into well-organized entities within the agricultural and commercial sectors. The earliest cooperatives were restricted to the Europeans only, in order to protect the interests of the settler communities and were mainly found in the Eastern, Southern, Central and Northern Provinces of Zambia.

Despite restrictions on the formation of cooperatives among Africans, several cooperatives emerged among small-scale African farmers in the early 1940s. In 1947, the colonial government was forced to allow indigenous Africans to form cooperatives through a Cooperative Ordinance. This was followed by the formation of a government department in the Ministry of Agriculture in 1948 that regulated cooperative enterprises (Chabala and Ojezmark, 1994). This cooperative development policy reform enhanced the participation of African small-scale farmers in cooperative activities.

At independence, the newly elected government took an active role in the development of cooperatives through the newly created Department of Marketing and Cooperatives. According to Moonga and Mgemzulu (2005), the Government encouraged the formation of cooperatives at that time in order to:

- Stimulate members of local communities to participate in economic activities;
- Equitably distribute financial resources to all rural areas;
- Use cooperatives as economic tools for quick development;
- Use cooperatives as agents for the implementation of Government policies.

In order to intensify and strengthen its support and control of the cooperative movement, the Government repealed the 1947 Cooperative Ordinance to give way to the Cooperative Societies Act of 1970, Cap 689 of the Laws of Zambia. Through this new Act, the Government arrogated itself powers that enabled it to influence the day-to-day activities of cooperatives. More importantly, the Government was able to inject massive assistance, in terms of finance and technical expertise, to the cooperative movement. Donors joined the Government in this effort and also provided technical assistance and grants to needy cooperatives (Moonga and Mgemzulu, 2005)

In 1973, a confederation - the Zambia Cooperative Federation (ZCF) – was formed for the cooperative movement in Zambia. In 1989, the National Agricultural Marketing Board (NAMBOARD) that was responsible for the marketing and distribution of agricultural produce was dissolved, with this responsibility transferred, along with its assets and liabilities, to ZCF. This development resulted in the restructuring of ZCF into 8 strategic business units, with a branch and depot network spanning the

entire breadth of the country. At this time, the labour force of ZCF exceeding 5,000 people (ILO, 2000). Up to 1991, the cooperative movement controlled over 90 per cent of the agricultural sector through a network of active primary cooperatives, district cooperative unions and provincial cooperative unions. The cooperatives used a network of storage sheds to purchase agricultural produce from farmers; had farm supplies stores for distributing inputs; and assisted in the delivery of various consumer goods through cooperative consumer shops (Republic of Zambia, 2007).

In 1991/92, the Government liberalized the economy in line with the World Bank prescribed Structural Adjustment Programme. This brought an end to the era of government sponsored and controlled cooperative development. The role of government shifted from direct involvement in the day-to-day activities of cooperatives, to providing an enabling environment in order to facilitate trade liberalization. This meant that the agricultural cooperatives lost the market monopoly they had and were consequently exposed to competition - something to which they were not accustomed or prepared (Moonga and Mgemzulu, 2005). The ZCF was negatively affected by these reforms, particularly with regard to its capacity to effectively oversee the development of the cooperative movement. The reforms have since reduced ZCF's ability to raise sufficient income to provide the services that it used to under government support. The dwindling cooperative services have in turn changed the people's perception of the relevance of cooperatives in their economic activities.

## 2.2 *Institutional landscape and scope*

The cooperative movement in Zambia has a four tier structure, starting with primary cooperatives at the local level. The primary cooperatives are generally affiliated to either a District Cooperative Union (DCU) or, if none is formed in a given district, to a Provincial Cooperative Union (PCU). The DCUs are, in turn, affiliated to the PCU in each Province. All the nine PCUs in Zambia are affiliates of the ZCF. Currently there are only 65 DCUs out of the 72 districts in the country.

As of October 2008, there were 16,133 registered cooperatives with over 4,200 of these having been registered in the previous five years. Most (47 per cent) of the cooperatives registered in the latter period are agricultural, 36.5 per cent are multipurpose, while savings and credit and others constitute the remaining 16.5 per cent. Data presented in Table 1 suggests that the previous five years had witnessed an upward trend in the registration of cooperatives, with 1,274 cooperatives being registered in 2007 alone. It is worthy noting that 2007 witnessed an upsurge in the registration of multi-purpose cooperatives relative to the other years. This may be attributed to the poor management of the Government's Fertilizer Support Programme (FSP), as well as draught or floods in the surrounding years that negatively affected yields or destroyed crops, thereby reducing the fortunes of marketing cooperatives that were purely agricultural. The surge in registration of multi-purpose cooperatives from 2006 to 2007 could have been an attempt by farmers to diversify their cooperative ventures in order to avoid similar losses in future. Such cooperatives are in several sub-sectors, including fisheries, livestock, arts and tourism. Aside from

2004, the upward trend in the registration of cooperatives was generally attributed to the desire to benefit from the FSP.

**Table 1: Number of cooperative registered in Zambia, 2003/07**

Type of cooperative	Number of registered					Total
	2003	2004	2005	2006	2007	
Agricultural	533	232	413	481	321	1980
Multi-purpose	145	78	161	345	808	1537
Savings and Credit	12	0	5	8	5	30
Others	192	70	132	129	140	663
<b>TOTAL</b>	<b>882</b>	<b>380</b>	<b>711</b>	<b>963</b>	<b>1274</b>	<b>4210</b>

Source: Department of Cooperatives, Republic of Zambia

Whereas the data in Table 1 generally illustrates the growth in the cooperative movement, it is worth mentioning that some of the cooperatives may be dormant. The Department of Cooperatives is in the process of screening cooperatives, with a view to determining the numbers of those that are active and those that are dormant. The screening process may result in some cooperatives being de-registered. A similar scenario happened in the 1970s, when dormant cooperatives that had been created with the sole purpose of benefiting from government funding were de-registered.

In an attempt to ascertain the level of dormancy in the cooperative movement, a survey was carried out in the twelve districts of the Northern Province of Zambia by the Department of Cooperatives between 2006 and 2008. The results of this survey are presented in Table 2. They show that out of a total of 1,238 registered cooperatives, only 12 per cent were classified as ‘performing’ cooperatives, while the rest were either ‘non-enterprising’, ‘defunct’ or their status was ‘unknown’. Discussions with officials from the Department of Cooperatives indicated that the situation in the remaining eight Provinces of the country may not be significantly different from that which is prevailing in the Northern Province. In Lusaka District, there are 390 registered cooperatives, 300 of which are agricultural cooperatives. Among these agriculture-based cooperatives, it is estimated that 30 to 40 per cent are dormant. Extrapolating these figures allows us to assume that over 80 per cent of the cooperatives in the country are dormant or defunct.

**Table 2: The status of cooperatives in Northern Province by district, 2006/08**

District	Successful	Emerging	Non-enterprising	Defunct	Unknown	Total
Kasama	5	13	91	3	32	144
Mungwi	0	5	31	17	24	77
Mbala	0	11	171	25	0	207
Mpulungu	0	16	15	53	0	84
Mpika	0	43	55	0	0	98

Chinsali	0	10	75	0	0	85
Isoka	2	9	100	19	0	130
Nakonde	0	9	170	0	3	182
Chilubi	0	5	18	0	0	23
Luwingu	0	6	62	10	0	78
Mporokoso	0	7	67	0	0	74
Kaputa	0	5	51	0	0	56
<b>TOTAL</b>	<b>7</b>	<b>139</b>	<b>906</b>	<b>127</b>	<b>59</b>	<b>1238</b>

Source: Department of Cooperatives, Republic of Zambia

With regard to membership, cooperatives in Zambia are generally small in size. For instance, the previously mentioned survey in Northern Province identified a total of 15,324 members for the 1,238 registered cooperatives. This translates to an average of 12.4 members per cooperative (ten members being the legal minimum for each cooperative to be registered). The 146 active cooperatives had a total of 7,157 members, which translates to an average of 49 members per cooperative. Panjira and Buyuni primary multi-purpose cooperatives that were visited in Lusaka had a membership of 60 and 80, respectively. Nevertheless, rural areas tend to have fewer cooperatives than the urban areas, but with larger membership. An extrapolation of these figures for the whole country implies that all registered cooperatives have a total of 199,694 members, with only 98,041 members (49 per cent) being active participants.

### 2.3 *The vibrancy of cooperatives*

As already alluded, the cooperative movement in Zambia is generally weak, largely because many cooperatives are either dormant or non-performing. Most cooperatives have faded away from the public limelight since reform of government policy in the early 1990s. Even the once vibrant Credit Union and Savings Association of Zambia (CUSA-Zambia) is not performing due to serious governance problems. In the circumstances, cooperatives and their activities are little known in the public domain. The visibility of these organizations has been further impaired by the fact that none of the cooperatives, including ZCF, have websites and/or audio visual facilities to facilitate image profiling.

The withdrawal of government from controlling cooperatives in the early 1990s seems to have invited management and financial problems to much of the movement. With little capacity for effective regulation, leaders have tended to abuse their positions by ignoring the entire membership. Some cooperatives have not held Annual General Meetings (AGMs) for prolonged periods of time. For example, the Eastern Province Cooperative Union has not held an AGM in the last five years. This form of governance has seen many cooperatives plunge into a multiplicity of problems that affect their performance and sustainability.

To illustrate this point, the two primary cooperatives that were visited in Lusaka were trying to cope with numerous challenges. Panjira Multipurpose Cooperative, which

was started in 1992, sells produce on behalf of its members for a commission of 15 per cent or for non-members at a commission of 25 per cent. However, the cooperative had no financial capacity to ensure the proper and consistent provision of services. Its cold-room, which was procured through a loan from the Rural Investment Fund in 2000, had broken down. Consequently, the cooperative could only receive minimum amounts of produce, fearing that the bulk of it could go to waste due to the lack of proper storage facilities. Its shop was also not doing well. Panjira had stopped its interactions with ZCF and has not declared dividends to its members since inception. The implication is that the cooperative was not accumulating any surplus for distribution to its members.

The revenue from the sale of members' produce in the Buyuni Multipurpose Cooperative, which has a membership that fluctuates between 80 and 100 members, has increased substantially. However, the general performance of the cooperative in the past had deterred members from participating in its activities. Subsequently, the cooperative has had to heavily rely on the Fertilizer Support Programme (FSP) to attract a following. It is worth highlighting that over-reliance on FSP is not just unique to Buyuni multipurpose cooperative. This programme is increasingly being used by many people as a 'window' for forming cooperatives, with the sole purpose of benefiting from fertilizer subsidized by the government. Such cooperatives usually became dormant once the farming season is over and, in some cases, only resurface to benefit from the programme in the next farming season.

In spite of the gloomy picture surrounding cooperative development in Zambia, there are 'pockets' of vibrant cooperatives within the movement. In the Southern Province of Zambia, there is the Monze Dairy Farmers Cooperative that has developed a Refrigeration Plant for making ice-blocks, which is paying great dividends. The cooperative is now planning to install a much bigger refrigeration plant. In Kapiri-mposhi (Central Province) there is a youth cooperative, which is producing wax from honey. Following the improvement of its product, the cooperative is currently looking to expand into more reliable markets.

Another example is that of Petauke District Cooperative Union (PDCU) in the Eastern Province. Like most cooperatives in Zambia, PDCU was negatively affected by the liberalization policies of the 1990s. Prior to liberalization, the cooperative was doing well as an agricultural input supplier and purchased grains from NAMBOARD. In view of the harsh conditions brought about by government reform on the development of the cooperative movement, PDCU decided to form companies to go into farming, with a view to accruing some dividends to assist primary cooperatives. In 2001 PDCU procured 10,500 hectares from Chief Nyampande for this purpose but realized it had no capacity to run a modern farm. Consequently a private company, Nyampande Farming Development Corporation, comprising some prominent Zambians was registered, with PDCU as a shareholder. The PDCU's performance is now relatively better and is viewed as an example of great innovation and resilience by cooperatives within the Eastern Province and beyond.<sup>2</sup>

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<sup>2</sup> Interview with Dr. Lungu – Lecturer, School of Agriculture, University of Zambia.

The confederation, ZCF, utilizes community radio facilities to propagate cooperative information and regularly presents issues concerning cooperative development to the Parliamentary Committee on Land and Agriculture. The mainstreaming of HIV/AIDS into ZCF's training programmes is also enhancing the capacity of cooperative members to deal with the pandemic. However, it should be recalled that ZCF has not been sufficiently vibrant in public policy formulation. For instance, it did not participate in the formulation of the National Cooperative Development Policy (NCDP), nor was it invited to participate in the development of the country's Poverty Reduction Strategy Paper (PRSP). This does not bode well for ZCF, particularly as the PRSP highlighted the potential of using cooperative networks to implement socio-economic development programmes, especially for rural producers. ZCF was also not involved in matters related to the ILO's Decent Work Country Programme (DWCP) of Zambia.

#### 2.4 *Employment potential*

Activities associated with cooperatives have the potential to create employment opportunities for their members. For example, the distribution and retailing of consumer cooperatives tends to be labour-intensive and has the potential to create employment opportunities for members. In several countries, worker cooperatives have taken over poorly performing businesses, explicitly to try to save jobs (Altshul, 2002, cited in Couture, et al., 2002).

However, this study found little data to reveal the extent to which the cooperative movement is contributing to employment in Zambia. Estimates for Lusaka district provide the following indications:

- Of over 300 farm cooperatives, approximately ten to 20 have four members of staff (manager, packer, driver, and watchman);
- Of the 50 marketing cooperatives approximately ten to 20 have at least a manager and a watchman.

This gives a total of 105 people directly employed in the cooperative movement in Lusaka district alone. Since there are approximately 2,000 active cooperatives in Zambia, an assumption that an average of at least two members of staff are employed in each cooperative means that 4,000 people could be directly employed by the cooperative movement.

There is also direct employment in the two government institutions that support or promote the cooperative movement in Zambia namely, the Cooperative College and the Department of Cooperatives, as well as ZCF. Currently, the headquarters of the Department of Cooperatives has 33 members of staff; there are nine Senior Cooperatives Officers at the provincial level; 72 District Cooperative Inspectors; and 38 District Cooperative Development Officers. There are 16 members of staff at the Cooperative College; 39 staff at ZCF, with five staff per province on average. The total number of direct employment resulting from the cooperative movement, therefore, is estimated to be approximately 4,198 people (Cooperatives + Department of Cooperatives + Cooperative College + ZCF).



Aside from direct wage employment, the lack of relevant skills among the youth and other potential cooperators makes the exploitation of self-employment opportunities associated with various cooperative activities very difficult. Due to financial constraints, many people are not able to access training from cooperative colleges or training institutions under the Technical Education Vocational and Entrepreneurship Training Authority (TEVETA). Nevertheless, the Adventist Development and Relief Agency (ADRA) are introducing new training opportunities that have the potential to enhance self-help employment. ADRA's Life Skills Training Program, based at the Kabwe Family Health Institute, recruits students from within Kabwe district and offers training programmes in skills such as carpentry. In partnership with the Ministry of Agriculture and Cooperatives, this organization has also initiated the process of establishing cooperatives to generate self-help activities for graduates.

To give further insight into the socio-economic situation in Zambia, the Living Conditions Monitoring Survey (2002/03) (cited in UNECA, 2005: 9) revealed that 67 per cent of the population falls below the poverty line, which was equal to ZMK 92,185 (USD 23.05)<sup>3</sup> monthly in per adult equivalent terms. Those living in the rural areas are the worst affected by poverty. For instance, the average monthly income for urban households was almost three times greater than that of rural households. Results of a survey carried out by Afrobarometer in 2005 indicated that 57 per cent of Zambians living in the rural areas perceive their living conditions as either 'fairly bad' or 'very bad'. By contrast, only 43 per cent of their urban counterparts held the same view. Similarly, more rural residents (41 per cent) admitted having gone without enough food either 'several times' or 'many times' during the year prior to the study, compared to only 26 per cent of urban dwellers. Almost half (49 per cent) of the rural residents also found access to medical treatment at their nearby clinic as either 'difficult', or 'very difficult' compared, to only 38 per cent of their urban counterparts who shared the same experience (Afrobarometer, 2005). Furthermore, at any given time 16 per cent of the rural population, compared with nine per cent of the urban population, reported to have an illness (UNECA, 2005: 9).

Therefore, cooperatives in rural areas are seen as a tool to reach-out and empower the poor. Officials of Buyuni primary cooperative in Lusaka were of the view that the living standards of their members had somewhat improved, in spite of the various problems they were facing. Their counterparts at Panjira primary cooperative could not ascertain whether or not the living standards of its members had improved since the cooperative's inception in 1992.

It is important, however, to note that the growth of informal economy employment in Zambia is mainly attributed to high levels of self-employment and unpaid family workers in subsistence agriculture in rural areas. For example, in 2004 informal economy employment in rural areas stood at 91 per cent compared to 57 per cent in the urban areas (Central Statistical Office, 2005). Given the high proliferation of cooperatives in rural area, it is plausible to argue that although a lot remains to be done, the cooperative movement could be making an important contribution to employment. However, this requires further empirical verification.

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<sup>3</sup> This figure is based on an average annual exchange rate of 3,500 Zambian Kwacha (ZMK) to 1 US dollar.

Cooperatives have potential to provide social protection services and act as a lobby instrument for their members. This study found that some cooperatives used to facilitate social protection through formalized mutual insurance activities; however this is no longer the case – largely due to the down-turn in cooperative activities over the years. This has seen social protection mechanisms between and among cooperatives become more and more based on tradition and cultural norms. In any case, there are no mutual insurance systems to cushion cooperative members from the problems that they may encounter. Individual cooperatives are too fragmented and weak to act as a voice for their members and/or ensure that they are effectively represented by the ZCF. The lack of sufficient networking and visibility in the cooperative movement is negatively affecting their capacity to give voice on behalf of their members.

### 2.5 *Donors and the cooperative movement*

The Government's change of policy on cooperatives following the liberalization of the economy in the 1990s had the effect of discouraging donor involvement in the cooperative movement. However, some donors are involved in various projects and programmes for creating employment, raising people's incomes and enhancing food security that are related to cooperatives in various ways.

Though the Swedish International Development Agency (Sida) does not directly work with the cooperative movement, it has been involved in agricultural development in Zambia since 2002. In collaboration with the Government's Agricultural Support Program, Sida has supported various small projects in 21 districts within Central, Eastern, Northern and Southern Provinces. It has been involved in identification of opportunities in communities for agricultural development. In collaboration with the United States Agency for International Development (USAID), Sida has also supported policy research on matters of food security. Within the agricultural sector, Sida works closely with the Zambia National Farmers Union (ZNFU), Agricultural Consultative Forum (ACF) and other non-governmental organizations that deal with environmental issues.<sup>4</sup>

Sida supported a study of the value chain for jatropha<sup>5</sup> in Zambia, which was commissioned by the International Labour Organization (ILO) and the Business Development Services (BDS) Zambia project (Sinkala and Chitembo, 2007). This case study aimed at enabling the BDS Zambia project to determine the competitive advantage held by the Zambian jatropha industry and make an informed decision about leverage points for project interventions, in order to boost the competitiveness of Zambian small-scale jatropha producers and processors. The study, among other things, noted that jatropha can contribute to poverty reduction through (i) the creation of income generation activities for the various actors in the value chain and (ii) the provision of solutions for localized rural energy needs, thereby making these

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<sup>4</sup> Interview with Ms A. Ngolwe, Agriculture and Food Security, Embassy of Sweden.

<sup>5</sup> The jatropha value chain in Zambia refers to all the activities in Zambia necessary for the transformation from soil to oil and other products to the end use of these products in Zambia and beyond, and all the competitive forces that set the operating environment around jatropha.

communities more productive (Sinkala and Chitembo, 2007). Sida also provided support to the BDS Zambia project for the undertaking of a value chain review of the dairy industry. The review intended to enhance BDS's decisions for project interventions in support of small-scale dairy farmers (Pandey, Mukumbuta and Banda, 2007).

Since 1997, the Swedish Cooperative Centre (SCC) in Zambia has focused its support in the area of sustainable agricultural production, food security and local business development. Generally, cooperatives are not a strategic objective for the activities of SCC, but are considered to be the most effective tool for reaching high-profile goals in various aspects of human development. Notable projects of the SCC include:

- Organic Agriculture and Sustainable Livelihoods – for improving food security and income among small scale farmers in Chongwe district of Lusaka Province. The project intended to reach 4,800 small scale farmers in Chongwe between 2006 and 2008;
- Eco-Marketing Project – for enabling organic farmers and wild harvesters increase their income. The project targeted over 3,000 organic farmers and wild harvesters by the end of 2008;
- Market Facilitation Project – for strengthening small scale farmers' associations with a view to improving the incomes of their members, in four district farmers' associations in Southern and Eastern Provinces of Zambia. The project intended to reach 8,000 farmers by 2008.<sup>6</sup>

The Japan International Cooperation Agency (JICA) does not work with cooperatives directly in Zambia. However, through the Participatory Village Development in Isolates Areas methodology, JICA identifies isolated villages or groups of villages (with the help of the Ministry of Agriculture and Cooperatives) to carry out various micro-projects whose design has three components namely:

- Income generation (e.g. vegetable marketing);
- Training of extension personnel (participatory processes – planning and management);
- Social activities (e.g. bridge construction/water supply).

In most cases projects have a financial component (savings and credit) for which a bank account is to be opened. Opening of a bank account necessitates the formation of a cooperative. Therefore, the formation of cooperatives through JICA's activities is more of a consequence rather than an intended objective. Currently approximately 126 villages have been granted projects, with quite a few choosing to start a cooperative.<sup>7</sup>

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<sup>6</sup> <http://www.sccportal.org/Default.aspx?ID> – October 20, 2008

<sup>7</sup> Interview with Mr. Chibbamulilo M. Patrick, JICA Senior Programme Officer.

The Food and Agriculture Organization (FAO) collaborates more with the Cooperative College on issues of capacity building. It has contributed to the development of training materials for primary cooperators and trainers (farm business management sector). FAO projects mainly target farmers, but when cooperatives are identified they are often considered to be the preferred partners, especially for outreach purposes. Aside from collaboration with the Cooperative College, FAO is involved in a regional project on cassava growing that covers the Serenje, Samfya, and Mansa districts in Zambia. The project trains farmers on how to grow varieties of cassava that are disease-free. Through the Cassava Value-Chain concept, FAO links producers to markets (e.g. Democratic Republic of Congo) and sensitizes them on how to deal with middlemen.<sup>8</sup> Two members of Panjira multipurpose cooperative in Lusaka benefited from a capacity building programme conducted by FAO. Panjira was one of the six cooperatives identified by FAO for this programme.

The International Labour Organization, in conjunction with USAID, Land O'Lakes, and the Ministry of Agriculture and Cooperatives, is involved in a project for enlisting women into a cooperative for dairy production. Heifer International has introduced its 'cattle sourcing' strategy to this project. This involves participating families passing on 'a gift' of a calf to another family, in order to spread the benefits of the programme to the entire cooperative membership. These dairy farmers take their milk to collection centres to be sold to commercial companies, such as Parmalat. Income is generally guaranteed as farmers usually enter into contracts with commercial buyers.

The Netherlands Development Organization (SNV) has a programme for strengthening farmers' groups along the concept of value chains. Contrary to other agencies, SNV does not work through a partner, but directly with identified groups through their consultants. The groups they approach can be associations or cooperatives. Criteria for selection include:

- Multiple membership;
- Employment creation;
- Income to the community;
- Launching of sustainable ways of income-generation.

Basically, SNV does not provide financing. Instead it is involved in group capacity building, providing information on demand, brokering and training.<sup>9</sup>

The Cooperative League of the United State of America (CLUSA) has been managing, on behalf of USAID, the rural group business programme in Zambia (SO1) since 1996. With presence in the Southern, Central, and Lusaka Provinces of Zambia, CLUSA has initiated a 'Small Scale Out Grower Scheme' that has been addressing a critical missing link between the farmer and Agribusiness. CLUSA runs a 'farmer out grower scheme' for smallholders that organize themselves into groups with the help of facilitators. The small-scale farmers are interested in how to access

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<sup>8</sup> Interview with FAO Programme Officer.

<sup>9</sup> Based on information obtained from an interview with SNV official.

inputs and credit facilities and how to secure a reliable market for their produce. In all cases the loans provided are for developing crops chosen and promoted by CLUSA. Soya is being promoted as a cash crop, while cassava is also being promoted as an alternative to maize. The only farmers eligible for the credit scheme are those working in CLUSA groups that are well managed. The amounts of loans disbursed to each group are reviewed; firstly by the groups themselves, then the depots, and finally CLUSA field staff. The farmers are trained before being provided with loans. The main activity supported is growing of crops in the out grower program. In terms of impact, one depot in between the 2000/01 farming season marketed over \$12,000 worth of crop, mainly soya beans after repaying all loans (Parker, 2003).

### **3. The role of the Zambia Cooperative Federation**

Being the cooperative organization presenting the entire cooperative movement in Zambia, the Zambia Cooperative Federation (ZCF) coordinates cooperative activities and acts as a 'mouth piece' for the cooperative movement. In its latter capacity, ZCF serves as a lobbying institution for its members, especially when members need assistance from donors and/or when there are complaints regarding policy matters. ZCF also acts as a source of information for its members. ZCF also assists its members in the procurement of cheaper inputs; enables them access to markets for their produce; and facilitates members' access to various forms of infrastructure, such as storage sheds. However, financial constraints have prevented ZCF from offering staff training, insurance, banking and brokerage services to its members for a long time.

The economic base of ZCF was stronger than that of the other tiers of the cooperative movement and this enabled it to play a very important role in cooperative development up to 1991. With a relatively high staffing level, it was largely effective in its activities and had a country-wide representation. However, the withdrawal of government support following the liberalization of the economy witnessed a marked downturn in the capacity and economic performance of ZCF. With a total turnover of approximately ZMK 5.4 billion (approximately USD 1,542,587) in 1995, ZCF made a marginal operating profit of ZMK 133.5 million (approximately USD 38,142), which was not adequate to cover bad debts. Both the lack and consistent misplacement of resources forced ZCF to reduce its staff of 200 down to 70 in March 1996. In order to pay retrenchment benefits for over 130 employees, ZCF resorted to selling off its assets (Chabala, 1996). The enactment of the 1998 Cooperative Societies Act, which emphasized autonomy of cooperatives served to further reduce (rather than increase) the vibrancy of ZCF. As of October 2008, ZCF had a total of only 39 members of staff, comprising of seven managerial staff and 32 supportive staff. The reduction in staff, especially from 2005, was a result of the organization's reduction in its activities over the years.

ZCF now has only three sources of income, namely: transport, pest control, and agrobusiness. It has three trucks that are leased out; an activity that contributes 30 per cent of the organization's annual income. Pest control is the major source of revenue, comprising 60 per cent of the total annual income. Beneficiaries of ZCF's pest control include medium and large-scale farmers, as well as the Food Reserve Agency - a government institution

tasked with the responsibility of food storage and bulk purchase of farm produce, especially maize grain. With respect to agro-business, ZCF retails various chemicals and agricultural inputs that contribute the remaining ten per cent of its annual income. ZCF does not receive subsidies from central government as it once did. Subscription fees from its affiliates are not consistently remitted due to their (affiliates') poor performance. Available records indicate that for four consecutive years, ZCF's turnover has continued to steadily decline from ZMK 1,454,008,000 (approximately USD 415,430) in 2004 to ZMK 1,269,847,000 (approximately USD 362,813) in 2007. However, in attempt to help capitalize and/or improve liquidity of the cooperative movement, the Government recently directed the Food Reserve Agency to engage selected District Cooperative Unions as Warehouse Managers under the supervision of ZCF. This has provided such unions with the opportunity to improve their financial status.

To enhance the revenue base of ZCF, plans are underway to revamp the three main sources of income. With regard to the transport activity, ZCF plans to increase the number of heavy duty trucks from the current three to 15. Plans are also underway to replace the fumigation equipment and accessories with new ones to revamp the pest control activity and enable the organization to compete favorably with other institutions offering similar services. These improvements are expected to be funded through the organization's internal resources and credit from financial institutions. The organization is also attempting to ensure that its existing agro shops operate at full capacity. Aside from this, ZCF intends to expand its operations by opening new outlets in provinces where they do not exist. The organization is also hopeful that the Government will pay back the ZMK 30.7 billion (approximately USD 8,771,428) debt it owes the cooperative movement, in order to ease the financing of the above programmes (Zambia Cooperative Federation, 2008).

In order to enhance its visibility at the national level, ZCF ought to network more with the entire cooperative movement, by linking up with the lower level cooperatives through the four-tier system seen in other countries. It is the interactions with representatives from provincial and district cooperative unions that will help to promote ZCF's visibility as a national cooperative organization, rather than working directly with primary cooperatives. Despite the apparent poor networking in the cooperative movement, the Government occasionally consults ZCF for its input in policy formulation. For instance, ZCF was consulted in the formulation of:

- Public Service Reform Programme (PSRP, 1993);
- Fifth National Development Plan (FNDP, 2006-2010);
- National Cooperative Development Policy (NCDP, 2007).

Though ZCF utilizes the Parliamentary Committee on Agriculture for lobbying purposes at the national level, it currently does not have alliances or shared platforms with other civil society organizations that would enhance its national visibility. The community radio stations that used to disseminate cooperative activities seem inadequate to publicize the activities of ZCF. This ineffective dissemination process, according to ZCF officials, is preventing the general public from knowing the 'good' side of cooperative organization.

At the international level, ZCF is not doing well with regard to networking or visibility. This is mainly due to the lack of sufficient financial resources to facilitate the payment of affiliation fees to international bodies. Although ZCF has contacts with the International Cooperative Alliance (ICA), its continued links with the International Federation of Agricultural Producers (IFAP) are threatened due to its inability to pay membership fees. It is significant to note that ZCF has not been represented at various regional workshops on cooperative development due to financial constraints.

#### 4. The role of government and cooperative development

##### 4.1 *The significance of cooperatives for agricultural development*

According to Zambia’s Fifth National Development Plan (FNDP), agriculture is key to economic growth and poverty reduction. This is because over 60 per cent of the population derives its livelihood from agriculture and resides in rural areas. Agricultural development did not receive resources commensurate with this status in the last decade. Previously, government expenditure on agriculture was less than five per cent of the annual budget and less than one per cent of GDP. To rectify the anomaly of paying less attention to this vital economic sector, the FNDP prioritizes agricultural development and sets out to improve agricultural productivity, especially for small-scale farmers by, among other things, reviving and strengthening agriculture extension services and setting up a programme for cooperative development between 2006 and 2010 (Republic of Zambia, 2006). Table 3 outlines the objective and strategies for the cooperative development programme as envisaged in the FNDP.

**Table 3: Objectives and strategies of the cooperative development programme, 2006/10**

Objective	Strategies
To create an enabling environment for the development of autonomous, transparent, viable, and demand-driven cooperatives and other farmer organizations that will contribute to economic growth and poverty reduction.	1. Develop a legal and institutional framework to facilitate re-orientation and reformation of cooperative organizations.
	2. Develop the capacity of cooperative members, so they can take advantage of the current socio-economic environment.
	3. Promote development of business-oriented cooperatives and farmer organizations in order to enhance their capacity to access financial resources.
	4. Promote partnerships between cooperatives and other sectors of the economy.
	5. Encourage and promote participation of women in business-oriented cooperatives and farmer organizations.

Source: Republic of Zambia (2006) Fifth National Development Plan (2006-2010).

Generally, the role of government is to provide broad policy guidelines that will ensure the creation of a conducive environment for the growth of a viable and sustainable cooperative movement. Through the Ministry of Agriculture and Cooperatives, the Government is responsible for the formulation of a Cooperative Development Policy that guides the development and governance of cooperatives in Zambia. The Department of Cooperatives is expected to play the central role in cooperative development in the country.

#### 4.2 *The role of the Department of Cooperatives*

The Department of Cooperatives is the regulatory agency of the cooperative movement in Zambia. In this capacity, the Department ensures that cooperatives adhere to existing cooperative legislation. It is also responsible for the implementation and administration of the newly formulated National Cooperative Development Policy in Zambia.

To perform these roles, the Department has a Senior Cooperative Officer, based in each of the country's nine Provinces, who is responsible for:

- Monitoring compliance to the Cooperative Societies Act and specific by-laws of cooperatives;
- Facilitating cooperative training in the respective districts within the Province;
- Overseeing cooperative activities in the Province.

There is also a Cooperative Inspector in each of the country's seventy-two Districts that acts as the 'eyes' of the Registrar of Cooperatives. The Cooperative Inspectors, similar to their seniors at the provincial level, ensure compliance with the Cooperative Societies Act and by-laws of cooperatives at the district level.

At the national level, there is the Registrar of Cooperatives that is responsible for the registration of cooperatives and their by-laws. In an effort to enhance effective and democratic cooperative management and to conform to Section 19 of the Cooperative Societies Act of 1998 on by-laws, the Department of Cooperatives has produced 'model' by-laws to assist cooperatives in their preparation of this sub-ordinate legislation. This initiative is in recognition of low levels of competence, especially in primary cooperatives. A typical 'model' by-law, among other things, includes:

- A citation of the seven cooperative principles;
- Objectives;
- Issues to do with membership;
- Organizational set-up;
- Conduct of meetings;
- Constitution of the board of directors and related matters;
- General regulations for transacting the business of cooperatives.

Despite the existence of this model, cooperators are usually involved in the preparation of their by-laws through a participatory process.



Besides monitoring adherence to legislation, the Department is also responsible for training and publicizing cooperatives across the country. Whereas the Chief Cooperatives Officer develops training modules for cooperative leaders and members countrywide, the Principal Cooperative Officer is, among other things, responsible for publicity in order to ensure that Zambians appreciate the role and significance of cooperatives. It is in relation to this latter role that the Department of Cooperatives has produced a number of brochures aimed at sensitizing communities on what cooperatives are and what benefits can be derived from them.

In regard to what cooperatives are defined to be, the Department has emphasized that cooperatives are economic organizations, just like other private businesses. However, it is observed that unlike most businesses organizations that are investor-oriented firms, cooperatives are owned by the members that are also users of the organization's services. Therefore, a cooperative is a *user-oriented enterprise*, designed to maximize long-term qualitative and quantitative benefits to its members.

#### 4.3 *Cooperative legislation and policy in Zambia*

Following the liberalization of the economy in the early 1990s, the Government repealed the Cooperative Societies Act of 1970 and replaced it with the Cooperative Societies Act of 1998. Essentially, the new legislation provided for the cooperative movement to take care of its activities under the full responsibility of the cooperators themselves and the legislative environment expected that cooperators were to run cooperatives as business entities. This Act provides for the formation, registration and regulation of cooperatives in Zambia. The Act also provides for matters connected with the rights and liabilities of cooperative members.

Subject to correct adherence to the registration procedures, any cooperative with ten or more members can, within a period of not more than 12 months from the date of adoption of its by-laws, be registered as a cooperative under the Act. Subject to various provisions of the Cooperative Societies Act, a company registered under the Companies Act may, by resolution made in accordance with the Companies Act, convert itself into a cooperative and be duly registered as a Cooperative.

It is important to note that the Cooperative Societies Act is an all-embracing piece of legislation and there is no separate legislation or regulation at the sub-national levels for cooperatives.

The Government has also formulated a policy on cooperatives with nine specific objectives and fourteen strategies through which these objectives will be achieved. Notable among the specific objectives include:

- To facilitate the promotion of demand-driven, member-led, autonomous, viable and sustainable cooperatives;
- To promote internal/external linkages and collaboration in service delivery;
- To promote the diversification of cooperative activities and formation of other types of cooperatives to ensure income for private sector growth;
- To mainstream HIV/AIDS awareness in cooperatives and ensure resources are allocated.

However, over the years ineffectiveness in the operations of the cooperative movement has been observed, which has seen need for the Government to institute measures aimed at resuscitating the movement. To a large extent, the formulation of the National Cooperative Development Policy takes into account the observed weaknesses in the cooperative environment (see Table 4).

**Table 4: Motivations for formulation of the National Cooperative Development Policy**

<b>Deficiency</b>	<b>Explanation in Nation Cooperative Development Policy</b>
<b>Unsuitable macro-economic environment</b>	From 1970s onwards, the rapid adoption and inadequate understanding of a market based economy viewed cooperatives as part of the public sector. Policy reform in the 1990s saw the role of state transformed and cooperatives failed to respond to the new economic dispensation, which decreased their relevance.
<b>The lack of a defined cooperative development approach</b>	From 1970 to 1990, there was a defined approach to cooperative development. For example, when cooperatives were assisted to acquire loans for crop purchases from banks, the Government role in granting these loans was clearly defined. This led to an inconsistent approach to input distribution, resulting in the creation of opportunistic cooperatives.
<b>The lack of institutional support</b>	The existence of ZCF and the Department of Marketing and Cooperatives made it easier to coordinate and monitor cooperative development. The simultaneous restructuring of these institutions, without any appropriate replacement, left a big vacuum in cooperative development.
<b>Externalities</b>	Lack of political will, competition, natural disasters (drought and animal diseases), undefined institutional frameworks, poor road and marketing infrastructure.
<b>Internal institutional constraints</b>	Under capitalization, mismanagement, poor financial discipline, poor governance, inadequate entrepreneurship and management skills, failure to respond and adapt to the changing macro-economic environment, and low literacy and numeracy levels

Source: Republic of Zambia (2007) National Cooperative Development Policy – Final draft

In view of the above deficiencies, the NCDP aims at regulating and promoting cooperative development in the context of a changed socio-economic environment. The emphasis is that the cooperative movement should be operated and run on sustainable and viable commercial business principles. The policy outlines the relationship between the cooperative sector and the Government as well as relations among the cooperatives. It also spells out the role of other stakeholders, such as donors and NGOs in cooperative development (Republic of Zambia, 2007).

Through the NCDP, the Government is committed to implementing several strategies, including:

- Develop human resource capacity through education, training and sensitization programmes;
- Encourage the establishment and development of financial services cooperatives;
- Enhance the capacity of cooperatives to access financial services;
- Launch systematic inspections and needs assessments at the primary cooperative level;
- Promote partnerships between cooperatives and other sectors for cooperative development.

Overall, the Government, through the Department of Cooperatives, sees its role as that of creating an enabling environment for the effective development of cooperatives. In this respect, the Government has assigned itself three tasks:

- (i) To enforce cooperative legislation, i.e. to register cooperatives and give them sufficient training on matters concerning by-laws and the importance of members to control their boards;
- (ii) To produce a cooperative manual to be used by district officers to provide on-the-spot training about cooperative development and promotion;
- (iii) To distribute leaflets on the value of cooperatives, thereby enhancing the image of cooperatives.

In doing so, the Government has adopted a pro-cooperative attitude as it recognized the potential of cooperatives to contribute to poverty reduction, poverty prevention and the enhancement of economic development.

#### 4.4 *The Fertilizer Support Programme (FSP)*

The Government designed and introduced the Fertilizer Support Programme in the 2003/04 farming season, with a view to improving smallholder farmers' access to agricultural inputs. The FSP was designed to enhance participation and competitiveness of the private sector in the supply and timely distribution of agricultural inputs. The Ministry of Agriculture and Cooperatives is the implementing ministry, with its Programme Coordination Office (PCO) being responsible for programme execution. The suppliers of inputs, selected through National Tender, deliver the inputs to districts, in preparation for distribution to satellite depots by local distributors that are selected by the District Agriculture Committee (DAC) in each district. Participants of the programme include cooperatives, other farmer organizations and individual farmer beneficiaries. An individual beneficiary needs to be a member of a registered cooperative or farmer organization that has been selected according to a preset criterion. The DACs, in collaboration with local leadership, which include Members of Parliament, District Commissioners, NGOs leaders, and village headmen among others, pre-select cooperatives and other farmer organizations to participate in the Programme, while verification and approval of the beneficiaries selected is the responsibility of the PCO. Table 5 provides data on the implementation of the FSP during the past seven farming seasons.

**Table 5: Implementation of the Fertilizer Support Programme, 2006/08**

Farming season	Smallholder farmers targeted	Fertilizer (Metric tonnes)	Maize seed (Metric tonnes)	Subsidy (per cent) <sup>10</sup>
2002/03	120,000	48,000	2,400	50
2003/04	150,000	60,000	3,000	50
2004/05	115,000	46,000	2,500	50
2005/06	125,000	50,000	2,500	50
2006/07	210,000	84,000	4,200	60
2007/08	125,000	50,000	2,550	60
2008/09	200,000	80,000	*	75

Source: FSP Implementation Manual (\* Figure not available), Republic of Zambia

Although the Programme was well-intended, there is a perception among some sections of the Zambian community that its implementation process is characterized by serious anomalies. For instance, delays in the distribution of the inputs, coupled with perceived irregularities in the selection of programme beneficiaries. These observations have cast a shadow of doubt on transparency and accountability in the FSP. To illustrate the magnitude of delays in the distribution of fertilizer, it was reported that most small-scale farmers in the Kapiri Mposhi area received their allocation of the FSP for the 2008/09 farming season in February, way after the onset of the farming season. It has been noted by traditional authorities and other stakeholders that the Government would have difficulties eradicating hunger in the country if it continued to ignore guidance from the chiefs and other people who have advised about the FSP.

#### 4.5 *Other government initiatives*

In 2006, the Government created the Zambia Youth Empowerment Fund as a response to the country's youth unemployment crisis. The fund is dedicated to supporting the economic empowerment of the youth by undertaking income generating opportunities for Zambians aged between 16 and 30 years. Following its inception, the Government has allocated ZMK 40 billion (approximately USD 11,428,571) to the fund. Cooperatives are able to access this fund.

#### 4.6 *Education and training*

The Ministry of Agriculture and Cooperatives considers education and training as a basic means for improving the managerial capacity of cooperatives and ministry frontline staff. To facilitate training in the cooperative movement, the Government established the Cooperative College in 1976. It was officially inaugurated on October 23, 1979 by the then President of the Republic of Zambia Dr. K. D. Kaunda. It was initially started as an in-service centre that provided short-term demand driven courses in cooperative and agribusiness management for small-scale farmers, cooperative members and agribusiness operators. The College offered extension training countrywide. With the liberalization of the economy, the mandate of the

<sup>10</sup> Farmers are required to pay the difference.

College was broadened in 2004 to include the provision of long-term training to both school and non-school leavers in cooperative development and agribusiness studies.

Headed by a Principal, who is assisted by a Deputy Principal, the administrative wing of the College has five administrative staff, a librarian and a number of general workers. The training wing of the College comprises of four heads of departments, five senior training officers and ten training officers. This wing currently has a shortfall of five senior training officers who recently left the College for various reasons, including transfer to the Ministry of Agriculture and Cooperatives. The staffing level of the College is said to be stable. However, most training officers are relatively new to the College, having been recruited in 2006. Teaching staff hold a minimum of a Bachelor's degree from the Copperbelt University, the University of Zambia or an Association of Chartered Certified Accountants qualification.

The College offers a one year Certificate course in Cooperative and Agribusiness Studies and a two year Diploma course in Agribusiness Management. Students are normally recruited for the Certificate course and only those that perform very well proceed onto the Diploma course. The identification of curriculum is undertaken through the input of industry, the Technical Education Vocational and Entrepreneurship Training Authority (TEVETA) and other stakeholders (job profiling). TEVETA's involvement in the development of curriculum and training modules makes the College's programmes and teaching relatively comparable to good practice in the United Kingdom. Generally the training programme ensures that students are appraised on the seven principles of cooperatives. The training programme includes an 'industrial' attachment of at least three months, in order to afford students an opportunity to get a 'hands-on' experience in the operations of cooperatives.

Most of the students (70 per cent) are Secondary School leavers, while the rest are mainly in-service students from the Ministry of Agriculture and Cooperatives. Currently the College has a student population of 155, comprising of both boarding and day scholars. Graduates of the College have been employed by the Ministry of Agriculture and Cooperatives, as well as the Land O'Lakes and the Cooperative League of the United States of America (CLUSA).

The College does not have a database on the various activities of cooperatives, including the number or types of cooperatives in the country, as it is not involved in research on the cooperative movement. Currently, the College's capacity to engage in information sharing and networking with other various organizations is very low. Unlike in the past, when the College used to exchange trainers with Moshi Cooperative College in Tanzania (now Moshi University College of Cooperative and Business Studies), the College is currently only enhancing its collaboration with ZCF in the area of training.

The College's sources of income include government subsidies; student fees; the use of College facilities for workshops and seminars (when in recess), including boarding and lodging facilities. However, government funding is said to be inadequate and

its availability is somewhat unpredictable. For example, in the 2008 budget the College requested approximately ZMK 1 billion (approximately USD 285,715). The Government approved only ZMK 484 million (approximately USD 138,286), of which only ZMK 374 million (approximately USD 106,857) was eventually released to the College. Currently the College does not receive any support from outside agencies. The general collapse of the cooperative movement, following the Government's withdrawal of its support to the movement, is perceived to have significantly weakened the financial base of the College, to the extent that it is unable to finance some of its operations, including forging constructive links with both local and international institutions.

## **5. Putting it all together**

The starting point in synthesizing this discussion is to note that almost seven of every ten (70 per cent) Zambians resides in the rural areas. This is also where most of the agricultural cooperatives are found. Enhanced agricultural productivity achieved through the work of vibrant and sustainable cooperatives could greatly contribute not only to poverty reduction, but also prevent members falling into poverty in the first place. For this to be realized, cooperators need to appreciate the objectives of cooperatives and be able to popularize cooperative organization and services, ideally by highlighting the comparative advantages of cooperatives as outlined in the definition of cooperatives and in the principles and values of cooperatives. Quality leadership is also very critical for the effective performance of the cooperative movement. This is especially important for ZCF. Dubell (1989) noted that the Chairman (leader) of the confederation should be able to interpret the demands of the cooperative members and transform these demands into operational goals and objectives for the whole cooperative movement. In addition, the leader must also closely watch what is happening in the operating environment of the confederation. For example, what is taking place in government circles? Is government considering new policies, laws or regulations that may affect the cooperative movement? What about competition from the private sector? Have new opportunities arisen in any sector or are new constraints developing? These are some critical responsibilities of the cooperative's leader, and if they are not well-performed there can be serious adverse effects on the growth and development of the cooperative.

The environment in which cooperatives operate is of great significance to the overall performance of the cooperative movement. In this respect, some scholars have doubted the potential of cooperatives to make an impact on development without support from external sources. Cooperative development follows and reflects national development, whether good or bad. In a poor social and economic environment and where there is a highly centralized policy and implementation procedure, cooperative institutions are unlikely to have a positive effect, neither institutionally nor for their members (Hedlund, 1988).

Although Birchall (2003) recognizes the fact that many cooperatives disappeared following the withdrawal of government support in developing countries during the structural adjustment era, he acknowledges that some cooperatives, under strong

leadership and good management, began to prosper. Illustrative cases include (1) the enhanced performance of the Bangladesh Cooperative Milk Producers' Union (Milk Vita) that was achieved through renewed commitment to management training, and (2) the enhanced performance of the Klinski and Stupinski cooperatives in Russia that was achieved through the election of new leadership (FAO, 2001, cited in Birchall, 2003: 35-37). With regard to the Russian experience, Birchall (2003) acknowledges its relevance to the developing world, noting that there are strong consumer cooperatives in Latin America, India, and Sri Lanka that were modeled on this Russian example. The point made here is that with appropriate strategies, it is possible for cooperatives to be independent and autonomous organizations. The stories are indicative of the potential for successful *self-revitalization* of cooperatives in the face of dramatically altered circumstances, such as the withdrawal of government support and/or transformations in the economic and social environment.

This discussion has revealed that the cooperative movement in Zambia is facing great challenges that are making it difficult for cooperatives to operate effectively. The changes in government policy in the 1990s, which culminated in the enactment of the 1998 Cooperative Societies Act, seem to have marked the 'beginning of the end' of the cooperative movement. Previously, the Government had created an environment in which cooperatives were able to thrive and gave meaning to the lives of their members. Cooperatives got used to receiving government grants and other forms of government assistance, including facilitation in loan procurement. Government infrastructure and institutional support, such as storage sheds and effective extension services, greatly enhanced the work of cooperatives.

The liberalization of the economy and the enactment of the 1998 Cooperative Societies Act suddenly required cooperatives to act as their own autonomous institutions. The hand of government was swiftly withdrawn and the survival of cooperatives subsequently became dependent on the individual cooperative members. It is clear that the cooperative movement was not prepared for this eventuality and they consequently failed to effectively cope with the policy changes and expectations of liberalization.

The mindset created by government intervention in the 1970s and 1980s has had a negative effect on the development of autonomous and sustainable cooperatives. Generally, cooperatives lack management skills to operate according to the seven cooperative principles. This, among other things, has negatively affected their ability and interest to ensure that AGMs, for example, are held to usher in new leadership and attend to important matters affecting the cooperative. Cooperatives also face serious financial problems. According to Chabala (1996), the feeble equity base of virtually all cooperatives is one fundamental problem that has jeopardized their viability and development. The past dependence on commission from the Government for their main activity of marketing maize was a major contributor to this situation. The resultant narrow economic base has since made it difficult for the cooperatives to effectively compete in the labour market for qualified and experienced manpower. As a result, the quality of many staff has been poor.

Ineffective organization and poor performance has subsequently resulted in the reduced visibility of the cooperative movement and the failure of cooperatives to provide social protection for their members. Cooperatives no longer act as formidable lobbying institutions for the ‘reinvention’ of a vibrant movement. Unlike Civil Society Organizations, whose participation in government policy formulation is visible, cooperatives have generally been sidelined. If the cooperative movement was well organized, it would have made effective use of the FSP and would have also encouraged the formation of cooperatives by youth that have opportunity to access government funding from the Zambia Youth Empowerment Fund.

The cooperative movement has not been able to organize conventions, such as that which was organized by the Government in 2002. Apart from financial constraints, the 2002 convention was to a large extent seen by members of the primary cooperatives as a ‘government thing’, devoid of any serious strategies to resuscitate the cooperative movement. Central government’s plan to hold a similar convention in 2007 did not materialize. Ordinarily, the holding of a convention would, among other things, provide opportunities for members of the cooperative movement to share ideas with a view to charting the way forward for cooperative development.

The Department of Cooperatives, with its array of officers at the District and Provincial levels provides opportunities for the cooperative movement to interact with and access government services and information. Through this department, individuals intending to register a cooperative are availed with information concerning registration procedures, as well as requirements for forming cooperatives on the basis of the seven cooperative principles. However, it is apparent that the ideals of these cooperative principles are not sufficiently understood. This has seen some cooperatives being formed for the convenience of benefiting from the Government’s FSP. Cooperative training is also ineffective due to insufficient resources for sponsoring members’ and staff training at the Cooperative College. The subsequent ineffective cooperative performance is exacerbated by the lack of sufficient office equipment (computers) to facilitate reliable storage of data.

The ineffectiveness of ZCF, caused mainly by the changed government position following the liberalization of the national economy in the early 1990s, has negatively affected the growth of the cooperative movement. With inadequate sources of revenue, ZCF is financially weak and consequently incapable of initiating activities that can have a positive impact on the cooperative movement. For instance, ZCF is not effectively playing its advocacy role and it is not acting as a source of information for its members. The ZNFU, once an affiliate of the ZCF, is comparatively more recognized and exerts policy influence, although it is more an institution for the large-scale rather than the small-scale farmers. The Zambia Congress of Trade Unions (ZCTU) is also much stronger (especially through the individual unions) and represents its members more effectively than the ZCF. It is plausible to argue that given the problems that ZCF is going through and its subsequent inability to perform effectively as a confederation, primary cooperatives would be less willing to pay their subscriptions to the organization.



The study has noted the various government initiatives being taken with a view to resuscitating the cooperative movement, notably the enactment of the 1998 Cooperative Societies Act and the recent National Cooperative Development Policy, which is still in draft form. Although the Department of Cooperatives has received some positive comments from some ministries on this draft policy, the slow pace at which it is receiving attention may be indicative of the policy's low priority on the Government's agenda. The formulation of the NCDP and the various activities the Department of Cooperatives help to exemplify the view that the cooperative movement has over the years lost its vibrancy and become less significant as an engine for national development and poverty reduction. The need to review the Act in order to enhance its capacity to effectively superintend the development of the cooperative movement in the country has been noted. Notably, the Act does not address the question of what action should be taken when a cooperative does not hold its AGM for a prolonged period of time. Among other things, a review is also necessary in order ensure that the legal environment is reflective of provisions in the ILO's Promotion of Cooperatives Recommendation, 2002 (No. 193).

It is important to also note that although the Act assumes that cooperatives can and should govern themselves, in practice most cooperatives have failed to meet this challenge. Clearly, the Government needs to strike a balance between state ownership and liberalization for cooperative development. But since the cooperative movement seems not to have the capacity to 're-launch' cooperative activities, the role of the state continues to remain prominent. Factors supporting government intervention in cooperative development include:

- Inept and corrupt leadership;
- Under-representation of youth and women on cooperative management boards;
- Absence of Savings and Credit Cooperatives and financial resources;
- Lack of inspection, audit and control mechanisms.

However, caution and level headedness are required to ensure that these initiatives do not result in undue government control on the cooperative movement. As things stand at the moment, there is likelihood that the Government may not willingly handover the running of cooperative affairs to the ZCF at the end of its capacity building programme. If this happens, it would not only be a violation of some of the seven cooperative principles, but also a disincentive to development of a cooperative movement that is driven by the initiatives and commitment of the cooperatives themselves. In this respect, sustainability of the cooperative movement may not be realized in the long term. Clearly, the Government's pro-cooperative attitude is, among other things, prompted by the absence of other effective representative bodies. Consequently, the Government may be hesitant to 'give away' the running of the cooperatives entirely to the cooperative movement. It is, of course, commendable that in its efforts to reduce poverty and ensure economic development, the Government is willing to accommodate various donor sponsored programmes.

It is important to observe that in many cases governments have provided too many regulations and controls on the activities of cooperatives that affect their effective functioning. The above sentiments are not, in any way, intended to mean that government involvement in the development of cooperatives is not necessary. Pollet and Develtere (2005) have observed that during the last decade the major cooperative development agencies have received increased interest from the broader institutional environment in which their partners operate. In this respect, a major constraint to cooperative development in many countries has been associated with the poor enabling environment, with restrictive laws and regulations that stem from the populist-nationalist approach of the 1970s-1980s. Consequently, it has been noted that agencies should lobby for legal foundations that allow cooperatives to function as private member-controlled businesses. These sentiments recognize the need for government involvement in cooperative development, but only in as far as it relates to ensuring an environment in which cooperatives can be able to flourish. In other words, it is preferred to institute government intervention, legislative or otherwise, that is genuinely tailored to support cooperative development without undue state control of cooperatives.

It has been noted that apart from detrimental cooperative development initiatives that have been spearheaded by government, the cooperative movement has for a long time been burdened with serious weaknesses and problems that have worsened as cooperatives have failed to adjust to new economic changes. The three basic weaknesses have related to (1) the economic viability of the major activities undertaken; (2) the poor skills of cooperative leadership and management; and (3) the lack of democratic member control. Some of the major causes of this have been government interference and the failure of the cooperative movement to adjust to economic and social changes (Chabala, 1996). In order to enhance the activities of the cooperative movement in Zambia, government intervention should, among other things, aim at helping to build the capacity of cooperative leadership and instill a sense of ownership among cooperative members.

It is also worthy commenting on the impact of the Fertilizer Support Programme on cooperative development. It has been noted that FSP can improve agricultural productivity among small-scale farmers and consequently contribute to increased food security and reduction of poverty, especially for the rural dwellers. The increased productivity can create business opportunities for cooperatives, whose financial base is very weak. However, the study has observed that the administration of the FSP faces serious challenges, especially in regard to the selection of beneficiaries and the timely delivery of the inputs. These problems, particularly the general perception that certain beneficiaries get access to inputs, have tarnished the image of the programme and reduced its envisaged impact on agricultural outputs. 'Seasonal' cooperators are known to re-sell the fertilizer obtained from FSP at prevailing market prices.

The possibility of obtaining free fertilizer from the FSP without necessarily being a member of a cooperative has resulted in reduced loyalty of farmers to the cooperative movement. Farmers are now less likely to listen to ZCF's recommendations that relate to cooperative development. In fact, it is even clear from the final draft of the

NCDP that ZCF is not automatically recognized. In the spirit of good governance and cooperative development, it is essential that the Government's legislation and initiatives do not undermine the performance of cooperatives. In order to enhance its responsibility, ZCF could gradually begin to administer the FSP. In its quest to enhance operational visibility and to ensure an autonomous cooperative movement, ZCF would also like to see the Government's role to become that of a regulator rather than a supervisor of the cooperative movement. ZCF has subsequently made submissions to the Parliamentary Committee on Agriculture and the Cabinet expressing its views to this effect.

It is clear that ZCF has a huge task in terms of re-building its image and appreciable capacity so that it may recapture its role as a functional confederation. Whether or not ZCF will succeed in doing this will partly depend on the actual role of government in Zambian cooperative development. In order to enhance its visibility, as well as enlarge its membership, ZCF faces the challenge of re-aligning its by-laws to accommodate other types of cooperatives that are not agriculture-based. At the national level, it may be necessary for ZCF to seek an alliance with the Zambia National Farmers Union.

## **6. Conclusion**

Overall, the cooperative movement in Zambia is generally weak. Most cooperatives are either defunct or non-performing. The majority have a very weak financial base. The contribution of the cooperative movement to the country's socio-economic development does not seem to be significant. There are no formal or informal social protection systems and/or services made possible by the cooperative movement. At the same time, the extent to which cooperatives are helping to create employment is not known. Internal constraints, such as the failure to hold regular AGMs, have stifled democratic governance of cooperatives. This has seen members become indifferent towards the activities of their organizations; a situation that has led the voice of the cooperative movement not being effectively heard. On realization that the movement is on the verge of collapse, the Government is increasing its control over the cooperative movement. The proposed National Cooperative Development Policy increases the supervisory mandate of the Department of Cooperatives at both district and provincial levels.

It is plausible to argue that the 'collapsing' cooperative movement in Zambia is a manifestation of fragile institutions, whose internal organization was not robust enough to withstand policy reform that had a diminishing effect on the revenue base. The inability of the cooperative movement to cope with the changed circumstances may be appreciated considering that there was no strategy for a smooth transition period, which could have provided support to enable the movement to adjust to policy reform. However, the inertia to adjust to the changed circumstances now constitutes a serious threat to the development of an autonomous cooperative movement that is anchored in the universal seven cooperative principles. This inertia is in part being demonstrated by some potential cooperators that have misdirected the well-intended services of the Government's Fertilizer Support Programme.

Given the circumstances, it may be speculated that the enactment of legislation in itself may not be enough to ‘re-invent’ the cooperative movement in Zambia. Legislative reforms will need to be supported by deliberate initiatives aimed at orienting the people’s mindset towards appreciating the potential benefits of an effective and sustainable cooperative movement. Of paramount importance is the need for cooperators to appreciate the meaning and objectives of cooperatives, with a view to ensuring that cooperative members accept that it is their responsibility to take actions that help to enhance the development and effective performance of their cooperatives.

If the success stories from other parts of the world, including Russia and Bangladesh, are anything to go by, cooperatives in Zambia should also be able to stand on their own and contribute to economic and social development. However, for this to happen it is important that government initiatives are genuinely aimed at supporting - rather than controlling - the development of the cooperative movement. Support institutions, such as the Cooperative College, will have to be well-funded and organized to ensure that cooperators have access to their services. Cooperators will also have to change their mindset, so that they view cooperatives as business ventures that have great potential to improve their livelihoods if they are operated effectively and efficiently through democratic management principles. ZCF will have to come to terms with the changed role of the state in cooperative development and develop a viable cooperative development business model that could build the cooperative movement from the grassroots upwards.

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## Bearing the brunt of a liberalized economy: A performance review of the cooperative movement in Zambia

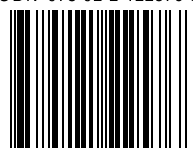
Peter K. Lolojhi

Currently the contribution of the Zambian cooperative movement to the country's socio-economic development does not appear to be significant. The cooperative movement is generally weak in its income base and organizational structures. Many cooperatives are either defunct or non-performing. It has been observed that some cooperatives have been formed for the sole purpose of taking advantage of government support programmes. The "collapsing" of the cooperative movement in Zambia can be attributed to lack of planning for policy transition on behalf of the government as well as a manifestation of fragile cooperative institutions, whose internal organization was not robust enough to withstand the liberalization reforms. The continuing inertia exhibited by most cooperatives constitutes a serious threat to the development of an autonomous cooperative movement. Of paramount importance is the need for the cooperatives themselves to appreciate the meaning and objectives of the cooperative model of enterprise.

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