



Africa Co-operatives Embracing Information Technology



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Information Technological Change critical to Africa Co-operative Development agenda

George Ombado

When I got to read “*Economics for a Crowded planet: Common Wealth*” by Jeffrey Sachs, my appreciation for understanding the role of technology on supporting Africa’s agenda increased. On a regular basis, I interact with organizations that are aiming to mitigate poverty levels by embracing information technology whether by design or by necessity. Hence acknowledging that technological change is instrumental in improving Africa information and communication channels.

The co-operatives are implementing technological and subsequently contributing towards achieving some of the Millennium Development Goals hence should not be ignored in this quest. In 2005, the Commission of Africa comprising of 17 Commissioners (mainly from Africa and UN) handed a report to G8 during the Scotland gathering requesting for enhancement of science and technology as their key priority. This caught many by surprise for new approach to foreign aid. Even today many still promise to respond to African needs. How this promise translates into tangible and beneficial initiative is debatable.

A close look at co-operative in Africa today shows that Africa is changing because they want to change, and that change will take place even with limited international aid. This statement doesn’t discount the positive role; targeted international aid has on people living in Africa.

The current generation moving to Information and Communication technology

In the business community, new generations of capable leaders are coming forward despite the numerous challenges posed in the continent. Indigenous

investment in innovation is taking place at small scale. Kenya, for instance has seen rapid growth in usage of mobile phones in transacting business through M-Pesa, Zap etc thus reducing businesses overhead cost and making the product closer to recipients. This product can also be used across the neighboring country. In the great lakes UK based DFID launched mobile product to assist fishermen mitigate the influence middlemen have on price fixation.

Ability to effectively communicate is therefore a central ingredient for economic development in Africa. Innovation in mobile phone products has created a close interaction between entrepreneurs and their potential clients. The number of mobile users in Africa, current standing at over 250 million is a less expensive option to internet connection. The web option through Personal Computer is not a viable option in Africa. Subsequently, the number of entrepreneurs embracing ICT in their daily operations in the region at the turn of the century has increased drastically.

Co-operative and ICT

Embracing ICT by co-operative sector has effectively improved management and dissemination of information which was previous wanting. However more needs to be done to encourage SACCO’s and SME to use information technology as an efficiency tool that can improve service delivery. Ensuring equitable access to knowledge and information to this sector will therefore improve development opportunities to marginalized groups in the society. It also provides an opportunity to introduce a one stop shop for co-operative and their activities to stakeholders.

Given its positive impact on economic development, the African government



should accelerate their support for co-operative ICT infrastructure development. Senior managers involved in strategic

development should also develop policies and products that promote ICT usage

The author is a development economist

The Whirl Wind in Cooperative Movement in Africa

J. Atuhura

Cooperatives are economic enterprises founded by and entirely belonging to the members. These enterprises are created in order to render the best possible service at the lowest possible cost to their members by pooling resources together, which services on individual basis could not be attained.

Co-operatives in Africa have had a slow growth and this is partly attributable to the inability of the original cooperatives to meet the social and economic needs of members. The origin of the Co-operatives in most African countries traces from the colonial period when colonial governments directed their formation for purposes of achieving their interests. Africans were later allowed to form co-operatives and their activities were restricted to limit competition with the private entrepreneurs. Prices of products from the Africans were fixed usually lower than the entrepreneurs.

After independence, the African governments took on the co-operatives with the same legal framework set up by the colonial administration. To steer up the growth in the cooperative sector, some governments made membership compulsory.

The aspect of voluntarily membership was lost and member morale was low. In Uganda, Kenya and Tanzania, the farmers had to sell their produce through the marketing boards established by government thus a monopoly and its adverse effects. By end of 1980s, most cooperative in Africa could not survive without government and donor funding. With the liberalization in the 1990s it was feared that cooperatives would not withstand the competition. After

restructuring, most governments have limited their involvement in the cooperative movement and they are running autonomously with members' interest at heart.

The cooperatives that have been able to withstand the wave of liberalization and deregulation in Africa have played an important role in increasing the living standards and total development of individuals.

Cooperatives play a major role of poverty reduction by empowering members with fewer resources at their disposal. Most co-operatives draw majority of their members from the poor rural masses, or low income wage earners. Non members of the cooperative also stand to gain from their existence; through affordable interest rates, better infrastructure. Through Co-operatives, members are able to find market for their crops, access medical care, purchase homes, and get loans at lower interest rates than the banks without necessarily having collateral. Co-operatives have provided employment to several people thus lifting their standard of living.

Cooperatives have shown concern for their members by quickly responding to unanticipated socio-economic problems that may arise at any time. Cooperatives are providing social protection through their range of products; insurance, benevolent funds, Salary advances. In Africa social protection is very limited with a few minorities benefiting from health insurance. Efforts to set up formal state-run social protection systems are frustrated by the small tax base, weaknesses in the institutional framework



and prevalence of the informal sector in the African countries.

The cooperative movement has generally been negligent on the political aspect with more concern for the socio economic agenda. Cooperative movement needs to have voice to defend the interests of their members. Most federative structures in place are not vigilant in terms of voice. The cooperative movement lacks vertical and horizontal structures thus interest aggregation remains very weak and the voice of the members is rarely heard.

FINANCIAL BILL 2009

A new financial bill has been passed by the Kenyan parliament in a bid to regulate and support the saving and Credit cooperatives as well as protect the members.

Several amendments have been provided for in the new legislation so as to streamline the operations of SACCOs by increasing the prudential standards for cooperatives. The new legislation grants establishment of:

- Deposit guarantee fund (SACCOs should meet the minimum liquidity requirement)
- A regulatory authority for the country's co-operative societies

The Finance Bill is proposing to allow banks to contract SACCOs as agents under The Bank Act to offer banking business and financial services on their behalf. SACCOS are to act as distribution channels for banks' products and services.

The national body for SACCOs KUSCCO has expressed concern on the impact that this agency relationship may have on SACCO operations;

- The agency Bank to SACCOs will be subject to laws of contract particularly, Agency Laws

Governments and other stakeholders should realize that cooperatives have an impact on socio-economic development and deserve to be heard. The co-operative movement should not be left out in implementing programs that impart on socio – economic development for instance in the poverty reduction programs run by the governments. A favorable environment should be in place that promotes sustainability of co-operative organizations.

governing relationship of Agent vs. Principal, provisions on acts of Agents that may or not be binding on Principal, responsibility of Principal for acts of his Agent including responsibility for negligence, financial loss and injury caused by acts of his Agent.

Actions and decisions that may be reserved under the Bank – SACCO Agreement, for instance what actions are Ultra Vires the Agent.

- SACCOs could be subject to laws and legislation of the country of incorporation of a parent bank if the Kenyan domestic bank is a branch of a foreign incorporated bank.

SACCOs and Banks have different legal forms of incorporation that could cause legal complications in liability to third parties and customers.

Banks are limited liability companies, artificial legal persons, individual shareholder of a bank is limited in voting at AGMs, and sharing in profits, losses and liabilities, proportionally to his/here share of the bank's capital and unimpaired reserves. Banks are construed in law as



limited liability companies first then as banks.

SACCOs are member – owned, member managed friendly societies. They are natural person legal entities but do not enjoy limited liability, in the event of liability to creditors and third parties, or on a winding up, the SACCOs' liability maybe unlimited under Contract Law or other relevant laws governing the source of the liability to third parties. Each individual SACCO Member has One Member – One Vote at AGMs. Each may be jointly and severally liable in an unlimited amount in

the event of financial loss or liability to creditors and third parties. This potentially exposes each member's savings and shares to high risk with no corresponding mitigating earnings and returns. SACCO Bank Agency Agreements expose SACCOs to further risks from the capital markets. Eight banks are publicly listed at the NSE and thus subject to further regulation and reporting requirements by the Capital Markets Authority (CMA) and Nairobi Stock Exchange (NSE) rules and regulations.

Source: SACCO Star, 2009

Stakeholders meet to discuss Africa agenda in ICA 9th Africa Co-operative Ministerial conference

ACCOSCA engaged with participant of the 9th ICA Ministerial Conference held in Nairobi, Kenya. The theme of the conference was, *“Driving African Social and Economic recovery through innovative co-operative enterprise”*

The conference was officiated by the President of Kenya H.E Kibaki. In attendance were several Cooperative Ministers from respective African countries and other stakeholders. Reports were presented by the various state representatives on the current status of cooperatives in their respective countries;

- Most governments are recognizant of cooperatives and are committed to meeting the MDGs with challenges of unemployment and food security.
- Regional collaboration; regional blocks should be formed to promote trade among cooperatives. With regional integration, vertical and horizontal economic linkages are formed; boarders are open for free labor mobility, access to bigger markets,

access to cooperative colleges at affordable costs, among others.

- Co-operative legislation and policy; these should be developed bearing in mind the cooperative values and principles. The legislations should be in line with the respective countries' laws and policies.
- Gender and Youth; programs should be developed to promote youth participation and ensure gender balance in the cooperatives
- ICT; cost of internet connection is too high and most rural areas are not connected to the grid. Government should intervene in this field and provide the infrastructure. Cooperatives should embrace use of ICT in there operations and come up with suitable innovations as per circumstances they are faced with.
- HIV; this is still prevalent in most countries and that cooperatives should come up with programs aimed at mitigating its effects.
- Human resource development; most countries recognize the need to have cooperative colleges while others are thinking of introducing



advanced level of education in the same field.

- Taxation; this is a government requirement and cooperatives should not be exceptional though most countries were in support of a subsidized rate.
- Audit standards; auditing has mainly been limited to the financial aspects; there is need to cover social and environment effects.

In Africa, co-operatives are operating in a dynamic environment characterized by several challenges; drought, inflation, credit crisis. Globalisation has made business environment very competitive thus; cooperatives were advised to be innovative and broaden their range of products if they are to survive.

Lesotho promoting co-operative agenda through quality education

M.C.Kaloko

Lesotho one of the member countries in ACCOSCA has championed co-operative agenda in the southern block. One of the areas worth mentioning is co-operative education through Lesotho co-operative college

Lesotho Co-operative College

Established in 1984, Lesotho Co-operative College aims at being the leading institution in Co-operative Business in Southern Africa by providing the best blend of dynamic training, research, and consultancy and community interaction. This has positioned the college as the center of excellence in co-operatives and business studies in the region.



Since inception Lesotho Cooperative college has been offering short and certificate level courses. Responding to the dynamics in the cooperative sector, the college has introduced a new course; Diploma in Co-operative Business Management studies running for a period

of two years. Students are exposed to Co-operative Development, Co-operative Business management and leadership, Accounting, auditing and self employment.

The college contributes significantly to the development of co-operatives through there contextualized products;

- Lesotho Cooperative College offers a Diploma in Co-operative and Business Management studies at an undergraduate level.



Some of the students 2009

- Offers short-term training courses that caters for cooperative members and staff to equip them with basic skills



- Carry out practically oriented training of low and middle level personnel for the Cooperative Development Department and the Co-operative Movement in Lesotho as well as basic training for the rural sector in general, non-governmental organizations (NGOs) and private sector.
- Provide advisory and consultancy services to cooperative enterprises, the Cooperative Department, NGOs and other rural oriented organizations.
- Conduct research on areas related to cooperative development and training, microfinance, poverty alleviation.
- Publish cooperative education and other materials to ensure dissemination of proper cooperative education and knowledge to the public.

Information

Articles covering issues affecting Co-operative movement across the continent can be sent to info@accosca.org