

# **POSITIONING CO-OPERATIVES FOR POVERTY ALLEVIATION THROUGH HUMAN RESOURCES DEVELOPMENT INSTITUTIONS**

**By**

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## **1.0 Introduction**

A co-operative organization is an economic enterprise formed by a group of people pooling together their resources in order to help them to form an organization to achieve their economic and social objectives through shared costs and benefits. In establishing a common owned enterprise, individuals usually poor people, achieve their objectives through joint action without which an individual would not be able to attain.

That is why in the competitive economy of the 21<sup>st</sup> century, the cooperative enterprise, is still considered a future organization, because it is able to mobilize the poor into viable and competitive enterprises.

That is why it is a worldwide phenomenon that when cooperatives start in any given country, they start with a major activity where the poor are involved, such as agricultural marketing, fishing, or industrial production.

The cooperative organization is guided by self-help principles which maintain the major pillars of good governance in the management of the business affairs of the enterprise. Among those principles, is the right to education and training for the members, employed staff and the leadership. Education and training as such are the basis of human resource development in cooperative organizations.

In this presentation an attempt is made to link the process of change in cooperatives for poverty alleviation, through education and training of human resources development institutions.

The vision of Lesotho for 2020 and the 2004-07 Poverty reduction Strategy paper, demand that cooperatives are able to distribute wealth to the grassroots. This vision is built on the fact that cooperative is well organized, well managed and the members are educationally prepared, to be able to manage their cooperatives on democratic principles so that through such organizations, they can reduce their income poverty.

In addressing these issues, we are going to cover the following

- The conceptual framework of human resources management in the context of cooperatives in Lesotho.
- The economy of Lesotho, Poverty and the status of cooperative development.
- The role of Human Resources Development Institutions in repositioning cooperative for poverty alleviation.

## **2.0 Conceptual Framework**

In the cooperative organization, there are three main players namely the members who form the organization, the leadership who represent the membership in the day-to-day guidance of the cooperative and the employed staff who run the organization on behalf of the members. The situation is different in industrial cooperatives where the members may also be the employed staff. Human resources development in co-operatives is the improvement of skills, attitudes and general education, so that all players in the cooperative organization are able to contribute to the performance of their co-operative. Principle number five of the internationally accepted cooperative guidelines, requires that all players in the cooperative organization and the public at large, must be trained and educated to make cooperative useful Institutions In the fight against poverty.

But of all the players, the most important human resources in cooperative organizations are the members. When the members are educated and well trained, they are able to manage their co-operative democratically. They are able to design the right policies and guide the business organization in their favour,

Uneducated and un-informed members will always lose control over the affairs of the cooperative organization. They risk the society being taken over by the employed staff or few leaders. Sometimes complaints that the government is interfering on the affairs of cooperatives, is partly explained by the fact that the members are ignorant of laws, procedures and bye laws. Or sometimes the government may be inclined to intervene into the functioning of cooperatives, just because the members are totally ignorant and the government feels it is socially and politically responsible to bring things into order to save the members according to the law. That is why; there is direct link between HRD and Competence of organizations in poverty reduction.

However, when we see governments making continuous intervention it also does not explain a healthy cooperative scenario. The most sustainable strategy for resolving cooperative issues and problems, is through human resources development programs mostly targeted to the members. When we have educated members, they become the source of good leadership and effective management.

Capacity building for all players in the cooperative organizations depends on the HRD delivery system. We define the human resource development delivery system as the availability of institutionalized and open training and evaluation of supply mechanisms, both in terms of institutions and programs in quantity and quality. Institutionalized human resource development delivery systems, consist of education and training provided by the cooperative college and centres. Non institutionalized human resources development supply, is given by institutions not created for the purpose of cooperative HRD, but as part of competence development they create structures to supply HRD programs. Such HRD supply structures include in-house training offered by the government cooperative departments and HRD development in the cooperative organizations themselves.

In each country, there is always the need to harmonize the HRD programs offered by the college and training centres and the HRD structures in the government ministry and cooperative organizations. Problems happen when the following scenarios happen; first, when the official HRD institutions do not design training programs demanded by the cooperative movement. This may happen when there is lack of working relations between colleges and primary stakeholders. Secondly, problems happen when the Cooperatives have grown to become larger organization' demanding specialized HRD products and services

which can no longer be offered by a small cooperative college or centre. The cooperatives will be inclined to formulate irregular and non-structured HRD program, which are usually less sustainable and less effective.

The third scenario is when the cooperative movement is facing the dynamics of growth and demands change but the cooperative HRD institutions are not growing in the same direction. In this scenario, the college is seen as irrelevant and non-responsive to cooperative development.

Another frustrating scenario is when the college is expanding in response to projected dynamics in the movement, but the movement is not growing in the same direction. This ends up in excess capacity of the HRD institution and may end up in the college losing directions and start addressing other issues of little significance to the cooperative movement. All these scenarios have implications on the appropriateness of HRD programs, institutions and poverty alleviation efforts in the cooperative movement in any given country.

### **3.0 The Economy of Lesotho, Poverty and the Status of Co-operative Development**

#### **Co-operative Development**

Cooperatives exist in order to alleviate poverty of their members as a e priority. But as pointed out earlier, their effectiveness in the alleviation of poverty depends on how they are technically equipped through HRD programs for the members, the leadership and the employed staff.

This role of cooperatives and HRD Institutions in poverty alleviation, is also critical for Lesotho. Lesotho is a small enterprise economy. 80% of its 2 million population lives in the rural areas and depends on agriculture and livestock. 10% of the land is arable and the physical geography has not endowed Lesotho with minerals, land and forest resources. The Food and Agricultural Development Organization, has described Lesotho as an ironical country where poverty and survival coexist. One of the explaining factors for its survival is its relative geographical position with the industrially developed Republic of South Africa.

But major resources for Lesotho are water and electricity, exported to the Republic of South Africa. According to 2003 statistics, agricultural exports (com, wheat, sorghum, beans, wood and mohair) accounted for 16.8% of GDP while industrial manufactured goods (apparel, food, beverages, handcrafts and tourism) accounted for 43.1% of GDP.

Poverty and unemployment are soaring because of the small size of agriculture and the HIV/AIDS pandemic, reducing the life expectancy to an estimated 36.81 Years by 2005 (Bureau of African Affairs: 2005)

The Cooperative movement has the opportunity of contributing to poverty alleviation in Lesotho. But it needs to be prepared technically for it to take the challenges of alleviating poverty in Lesotho. It is however, important to note that, before the cooperative movement makes its contribution to poverty reduction the following internal and external challenges have to be recognized and addressed.

Reports by the Ministry responsible for cooperative development in Lesotho, indicate that there is a critical gap of the lack of a strong apex organization. This gap means that the cooperative movement in Lesotho, does not have an autonomous organizational mechanism to co-ordinate national and international affairs to support cooperatives. But it also alludes to the fact that if there is any support required for the cooperative movement; government intervention is always called for.

The statistical survival situation of cooperatives in Lesotho is reported that in a total population of 1029 cooperatives only 148 or 13% are active. The table below demonstrates the situation.

**Table 1: Mortality Profile of Cooperatives in Lesotho**

| Status          | No  | %   |
|-----------------|-----|-----|
| Active          | 148 | 13  |
| Semi-Active     | 211 | 18  |
| Dormant         |     | 58  |
| Pre-cooperative | 126 | 11  |
|                 |     | 100 |

**Source:** Ministerial report of the ICA Ministerial Cooperative Conference Maseru, August 2005.

- The number of pre-cooperatives and active cooperatives is smaller than the semi-active and dormant cooperative societies where 80% or 1.6 million rural people depend on the rural economy.
- It has also been reported by the government department that the programs delivered by the institutionalized HRD institution the Cooperative College is inadequate and irrelevant.
- The non-institutionalized HRD services of the cooperative department are weak and less comprehensive.
- The support skills of the field staff of the cooperative development department are weak and need enhancement in the areas of accounting, basic management and marketing to provide hands on assistance or on-the jobs training to cooperative functionaries at the grassroots level. These gaps in HRD are also amplified by the fact that Lesotho Cooperative College is centralized without an outreach structure which would have allowed easier access to education and training in the districts without everybody traveling to Maseru for training and education intervention.

At the macro-economic level, the relationship between the central government and the cooperative movement does not very much differ from what has been happening in other English-speaking countries in Africa especially Tanzania, Uganda and Zambia.

Since independence all these countries have been redressing the officialised model of cooperative development. The officialised model is a cooperative movement where the formation, operation and the evolution of cooperatives is all engineered by the central government. History has demonstrated that this model, does not conform to the needs work in a competitive and liberalized market environment. In Uganda, the officialised model was questioned in 1996 onwards, and currently they are testing a self-propelling cooperative-movement, depending on its own membership, its own structures and it is market driven. They

have transformed the three-tier structure by introducing the second-tier structure in the rural areas through a network approach, linked to the national and international market system.

In Tanzania and Zambia, the officialised model has existed for over 33 years and currently, the tier structure has been configured into two levels, but with options to form viable second tier organization.

The second macro level problem which Lesotho shares with other Anglophone countries in Africa is the lack of effective national cooperative leadership for change. In Tanzania, Kenya, and Zambia the leadership inside the cooperative movement is weak and always waits for change to be imposed on them either by policy or changes in the cooperative law. The national situation of the cooperative movement in Lesotho is not only lacking leadership, but the structure is not operational.

But there are areas where Lesotho differs from the other African countries on the nature of state control of the cooperative, but also the internal management of cooperative organizations is government— oriented. Secondly, the law does not allow room for flexibility on organizational development. The tier systems are given and have to be followed. This kind of structural mechanics, does not allow for innovation and, when it does not produce positive results, the response is a series of complaints both from the cooperative movement and even from the government.

This kind of government driven cooperative movement, does not allow freedom of association and innovation outside the law and hence poverty alleviation efforts are critically constrained. One aspect which should be very clear from the point of view of government, is the fact that flexible cooperative legislation and policy framework, allows, cooperatives to absorb human resources development for poverty alleviation.

The third component of the macro level problems is why cooperatives are needed in Lesotho. The relative position of Lesotho in close proximity with market- oriented Republic of South Africa, is both an advantage and a disadvantage at the same time. It is a disadvantage when it comes to the quantum of Direct Foreign Investments. Lesotho will only attract direct foreign investments when unit labour costs and market size are favourable against those obtaining in the neighbouring South Africa. Unit labour costs may be favourable but the size of the market may not compare with that of immediate South Africa provinces with larger population and relatively higher per capita income levels.

When this is the case, direct foreign investment will be inclined to invest in neighbouring South Africa but distribute industrial products to Lesotho as an extended market area. The advantage for Lesotho is residual employment in the South Africa distribution and banking chains.

The advantage for Lesotho is the fact that, the gap left by Direct Foreign investment, can be captured by the development of small and medium enterprises where one of the major investors is the cooperative movement.

There are physical and social advantages which can be exploited by the cooperative enterprise. According to the Bureau of African Affairs, the literacy rate is 84.8%, which stands an important basis for member education and cooperative formation and development

- Lesotho has a promising export sector which cooperatives should take advantage.
- Its relative geographical position With South Africa markets, makes Lesotho make full of use of its small and medium enterprise system to complement large scale industry in South Africa, given its lower unit labour cost.

#### **4.0 The Role of Co-operative HRP Institutions in Repositioning Co-operatives for Poverty Alleviation**

In the last section, we have seen how structured and non-structured cooperative education and training is said to be minimal, irrelevant and inflexible hence with little impact on the poverty alleviation efforts of the cooperative movement. As a result, poverty coexists with largely dormant cooperative movement and both institutional and non-institutional human resources development system.

We have also seen that the policy and legal framework is rigid and does not allow flexibility which would allow progressive innovations against poverty.

Thirdly we have seen that, there are opportunities for cooperative development filling the gap left out by lack of direct foreign investments. The growth of small and medium enterprise in Lesotho is a real opportunity for cooperative development.

But, in order to address all the three areas of concern, and reposition the cooperative movement, the human resource development institution has to address the following:

##### **4.1 Weak Cooperative Development**

Given the largely dormant cooperative movement, strategically government efforts and those of the HRD Institution should concentrate on the 148 active cooperative societies, pre-cooperatives and the semiactive cooperative societies. The dormant cooperatives should be deregistered.

Secondly, the college should carry out a comprehensive Training Needs assessment to understand what members need for training, staff and leadership. A strategy for member empowerment is needed targeting two important aspects of capacity building establishment



of systems of governance and enterprise development education for members. The training of members in enterprise development is a strategic question.

First the outreach structure of the cooperative college must be confirmed. Second the development of the appropriate training material and thirdly the preparation of local village based cooperative education and training agents. The other strategic areas for member empowerment are using modern business techniques to transform the subsistent farm to become a real enterprise. The training of farmers to become entrepreneurs will go together in transforming the farm as an enterprise. This means introducing business planning, operational planning and bookkeeping at the enterprise level.

The other aspect of member empowerment capacity building is in the crop marketing from simple to complex chain management. Simple chain management is giving the capacity to cooperative societies to manage transaction costs at the minimum level in transmitting raw products from the farm to the village store and to the final buyer. Complex chain management is the maximization of profits as a result of introducing valued adding agro-processing activities.

When the members are transformed in the business way, through training and research, they start becoming poverty alleviating members and their joint activities at the cooperative organization, will become market — driven and start reaping benefits to reduce income poverty.

Thirdly, the Training Needs Assessment should also come out with recommendation on how the college should reposition itself to meet the needs of higher levels of management capacity in the cooperative movement, in the government, non-governmental organization and financial institutions serving the cooperative movement. The major aspect of change for the college must be highlighted so that the college is prepared to become technically relevant in future.

#### **4.2 Poverty and Legislation**

Co-operative policy and legislation are not static but dynamic instruments of cooperative development. There are three strategic actions which should be carried out by the cooperative college in order to reposition cooperative legislation and policy.

First an in-depth study should be carried out by the college to articulate the legal constraints imposed on the cooperative movement so that amendments are proposed to introduce flexibility and innovation in the performance of cooperatives. The Cooperative College should come up with an instrument of evaluating cooperative law to see whether it can promote or constrain cooperative development in Lesotho. In areas of constraints, recommendations should be made for amendments.

As far as cooperative policy is concerned, a study should be carried out by the Cooperative College and associates in order to document innovations which have been made

by the members so that they are recognized by policy and new cooperative policy framework is prepared taking into account member-based Innovations.

The third study by the Cooperative College is about the functionality of the existing national structures, their costs and benefits to the members. The study will suggest the most viable cooperative structure which maximizes returns to the members and reduce Income poverty.

#### **4.3 Cooperatives and Small and Medium Enterprise Development**

Because of Its relative market position with the Republic of South Africa, and because of Its current population and market size, Lesotho needs to prepare Itself as a strategic small and medium scale enterprise economy. The cooperative college should be given the assignment to carry out an investment opportunity study to analyse areas where cooperative efforts could viably be promoted and where a real income effect would come into the membership. Such a profile study should go hand in hand with the analysis of Investment legal framework for cooperative development in the complex value chain management and the most viable cooperative financial services to serve cooperatives in the small and medium scale enterprises in Lesotho.

To make college implement all these major interventions, a critical re-examination of college in terms of its structure, courses, curricular, research and consultancy capacity must be carried out so that It becomes dynamically relevant to the future growth of the cooperative movement.

#### **5.0 Conclusion**

The vision of Lesotho is to reconstruct a viable cooperative movement contributing to poverty alleviation. In order to achieve this vision, the relative position of the economy of Lesotho in the context of the South Africa market system must be articulated against the role of a strong cooperative movement.

In order to reposition and strengthen the cooperative movement for poverty alleviation, a structured Cooperative College is an important instrument in achieving the goals of human resources and change in Lesotho.