Promoting Rural Cooperatives in Developing Countries

The Case of Sub-Saharan Africa

Avishay Braverman, J. Luis Guasch, Monika Huppi, and Lorenz Pohlmeier
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(Continued on the inside back cover.)
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Contents

I. INTRODUCTION

II. RURAL COOPERATIVES IN DEVELOPED COUNTRIES: THE EXAMPLE OF THE NETHERLANDS
1. Potential Strengths and Weaknesses of Cooperatives
2. Development on Rural Cooperatives in the Netherlands

III. THE DEVELOPMENT OF RURAL COOPERATIVES IN SUBSHARAN AFRICA

IV. CONSTRAINTS TO EFFECTIVE COOPERATIVE DEVELOPMENT
1. External Constraints
   1.1 Cooperatives and Governments
   1.2 External Donors and Cooperatives
   1.3 Use of Cooperatives as Development Tools
   1.4 Unfavorable Environment
      1.4.1 Economic Base
      1.4.2 Discrimination Against Agriculture
      1.4.3 Unfavorable Policies Towards Credit Cooperatives
2. Internal Constraints
   2.1 Limited Membership Participation
   2.2 Structural Issues
      2.2.1 Individual vs. Collective Interests
      2.2.2 Multi-Tier System
      2.2.3 Multi Purpose vs. Single Purpose Organizations
   2.3 Management Problems

V. THE FUTURE OF RURAL COOPERATIVES IN SUBSAHARAN AFRICA
1. Pre-conditions for Successful Cooperatives
2. The Future Role of Government in Cooperative Development
3. The Role of Donors
   3.1 Movement to Movement Assistance
4. Assistance to Other Self-Help Organizations

VI. CONCLUSION
This paper is largely based on a seminar on donor experience with rural cooperatives in Sub-Saharan Africa, organized jointly by the Agricultural Policies Division (AGRAP) and the Africa Agriculture Technical Division (AFTAG), held at The World Bank in January 1990.

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I. INTRODUCTION

The economic crisis in Sub-Saharan Africa presents a major challenge to donors and to policy-makers. After an initial period of growth following independence, most African economies faltered, then failed. There are, of course, exceptions. But the region as a whole has experienced years of falling incomes per capita and increasing hunger. After India, Sub-Saharan Africa now has the developing world's largest proportion of poor. During the 1980s, life expectancy fell in nine countries; primary education enrollment ratios fell in twelve. Economic growth averaged 4.8 percent per year between 1965 and 1980, yet real GDP rose only 1 percent on average in the years 1980 to 1989, lagging behind population growth. As a result, GDP per capita decreased an average 2.2 percent per year over the last decade (WDR, 1990).

Agriculture is the most important sector in the economics of Sub-Saharan Africa. It accounts for 35 percent of GDP, 40 percent of exports, and 75 percent of employment (World Bank, 1989). Although this sector has performed better than others during the 1980s, Africa is faced with a growing food deficit. The volume of agricultural exports decreased steadily between 1975 and 1985, then recovered slightly. The performance of agriculture could be expected to improve with appropriate infrastructure and incentive structures. But in many countries, expansion of the sector is limited by increasing population pressure, desertification, deforestation, and soil degradation. There is special reason for concern over low agricultural efficiency, the lack of application of new technologies, and the failure to develop specific Sub-Saharan techniques to revolutionize production, since money has been available for both productive and research activities. Sub-Saharan Africa leads all areas in agricultural research expenditures per farmer. A total of $360 million went to
agricultural research in 1980, compared with $190 million in South Asia. The SubSahara has much less to show for the money.¹

Repressed producer prices, inefficient public marketing boards, and weak government commitment have often been blamed for the poor performance of the African agriculture. Thus, since the mid-1980s, many structural adjustment programs have emphasized price and marketing reforms, and countries have liberalized the marketing and pricing of major food crops. Producer prices of major export crops have also been raised, supported in many instances by significant devaluations (see Figure 1).

These reforms have improved the performance of the agricultural sector, but the effects on growth and real income have not met expectations. Increasingly it is recognized that price reforms alone cannot spur development. Deficient infrastructure, inadequate access to inputs and credit, poor extension services, and inefficient marketing systems constrain the effective expansion of production. There must be reforms that specifically address these constraints.

Institutional reforms in this context are important. Heavy public-sector presence in rural marketing, processing, and credit systems—often with near-monopoly powers—has not served the bulk of African rural producers. During the 1970s parastatal institutions multiplied in many SubSaharan countries. As one example, agricultural marketing became parastatal during the colonial period and remained so after independence. The majority of parastatal organizations have functioned inefficiently and put a heavy burden on government resources. In Tanzania, 100 parastatals ran at a loss in the 1980s, while in Kenya, despite $1.4 billion invested, the average return was 0.2 percent per year. High budget deficits increasingly force governments to withdraw from the provision of services in rural areas. Other service organizations must therefore replace public sector institutions.
The development philosophy of the 1960s and 1970s emphasized industrialization based on aggressive import substitution, and relegated agriculture to a distant second in priority. Industrial and urban workers reaped benefits through protection of industries and the supply of low-cost or subsidized food items. Farmers and smallholders found it difficult to organize politically and economically as a result of their large numbers, political and ethnic diversity and geographic dispersion. Commercial farmers avoided involvement because of their urban economic interests and their preferential treatment on input subsidies.

Now, the plight of the rural sector and perhaps a change of philosophy, have led many donors and governments to search for alternative institutional ways to serve the rural population of SubSaharan Africa, and elsewhere in the world. Increasing attention focuses on the potential of rural cooperatives as service organizations. Because they are conceived as organizations by and for members, coops are seen as vehicles with the potential to provide services for the rural population. Encouraged by the success and importance of rural cooperatives in developed countries, donors and governments are fostering them in developing lands. A 1986 review of World Bank-assisted projects, for example, shows that 50 percent of all agricultural projects in Africa involved coop organizations (Pohlmeyer, 1990). Many bilateral donors have devoted an even larger share of rural development expenditure to promotion of cooperatives. It is widely recognized, however, that the performance of SubSaharan cooperatives has been disappointing.

Given this picture, it seems appropriate to examine the reasons behind successful and unsuccessful experiences with rural coops and to reevaluate the potential for remedying the major problems plaguing SubSaharan agriculture. A seminar on donor experiences with rural cooperatives was organized at the World Bank in January 1990. Representatives from bilateral and multilateral donor organizations,
NGOs, and African cooperative organizations exchanged and evaluated experiences with donor support for rural cooperatives in developing countries—particularly in SubSaharan Africa. This paper is mainly a synthesis of seminar papers and discussions.

In the next section, this paper briefly describes the motivation for and effectiveness of rural cooperatives in developed countries through the example of the Dutch. It then focuses on the development of rural cooperatives in SubSaharan Africa and on the main issues and problems, including internal and external constraints. After considering the future of such cooperatives and making policy recommendations, the paper summarizes conclusions.

II. RURAL COOPERATIVES IN DEVELOPED COUNTRIES: THE EXAMPLE OF THE NETHERLANDS

Potential Strengths and Weaknesses of Cooperative Organizations

Cooperatives in their ideal form are democratic, self-reliant organizations owned and managed by members who contribute to share capital and freely enter and exit the organization. By joining forces and organizing, they generally aim at two broad objectives: scale economies in commercial production or market transactions and improved bargaining power vis-à-vis external agents. In addition, coop arrangements may allow for gains through risk sharing. Increased bargaining power and scale economies provide members with services that they lack or receive at less advantageous terms. Assumed access to savings and loan facilities and more effective input supply and marketing are examples of the most frequent benefits for rural producers. Since cooperatives are member-owned, all profits go to its member-customers rather than external shareholders.
Despite these advantages and benefits, cooperative arrangements can have weaknesses and incentive problems. Among the most salient are the common property right and attendant free-rider problems (Zusman 1990). Under common property rights, there are certain activities in which the individual member reaps the benefits of his action while the entire membership bears the cost. The reverse is also possible; in production coops where output is fully shared, the individual bears the cost of his contributed effort but his benefit is only a proportion of the output. Another example is the case of cooperative credit. Joint liability often allows members to borrow at lower costs. But the individual member can appropriate the full benefit of his successful investment while the entire membership bears the cost of failure. Members may thus be inclined to overborrow. These weaknesses can be contained with appropriate incentive and control structures and with sharing rules. Members' actions must be controlled to insure compliance with the association decisions, and coop management decisions must be controlled to assure that they serve member interests (Zusman, 1990). Lack of effective control structures at either level can bring about the demise of the cooperative, a frequent event in developing countries.

Development of Rural Cooperatives in the Netherlands

Members of rural society in industrialized countries have generally started coops in response to unfavorable events and market conditions. Most such organizations thus came from efforts by rural producers facing a common challenge that could be addressed only through cooperation. The leading motive for organizing was economic rather than socio-political. The government may have encouraged the development of cooperative organizations, but it generally did not intervene directly; promotion and establishment were left entirely to the farming community.
Organizations in the Netherlands provide a good example of how strong agricultural cooperatives have come about. The Dutch agricultural coops sprang up in response to monopolistic agricultural markets and lack of rural credit. Recognizing the problem of rural producers, the Dutch Government recommended cooperative organizations, but never became involved, nor did it make significant capital contributions. Dutch rural cooperatives had to function on their own account and at their own risk. To the extent that commercial investors were reluctant to provide financing, rural cooperatives were dependent on member contributions. It was normally a group of influential, better-off farmers who took the initiative to start a services or credit coop and to contribute the bulk of initial share capital. Smaller producers would join at a later stage, contributing smaller shares. Proceeds were distributed in proportion to share capital, so members with higher contributions could expect more significant returns. The costs of services and the distribution of financial liability were also based on economic proportionality. Dutch farmers viewed coops as business organizations and did not expect them to effect income transfers between members of different social backgrounds. This in turn allowed for effective collaboration of small and large farmers within the same societies. Dutch cooperatives did not spend time advocating rural social and welfare interests or trying to influence government agricultural policies. These issues were left to farmers' unions, which thus complemented the purely economic coops and facilitated their development.

The Dutch Government played an important role through creation of an enabling environment and through its readiness to cooperate with farmers' unions. It indirectly facilitated the development of rural coops by providing rural education and research and extension services and by enacting legislation to safeguard the interests of coop members and their trading partners.
Effective social norms, competent management, close monitoring and enforcement structures, and legislation all combined to minimize potential incentive problems of cooperatives. Growing markets for agricultural goods and the expansion of Western Europe's economic system also contributed to success. As a result, strong agricultural coops played an important part in transforming Dutch agriculture from subsistence to commercial status. Coops also helped small producers gain independence from monopolistic lenders and traders.

III. THE DEVELOPMENT OF RURAL COOPERATIVES IN SUBSAHARAN AFRICA

In Asia and Africa colonial governments or trading companies fostered rural coops to speed monetization of the rural economy and to control peasant production. Promotion of European models was often based on the notion that indigenous organizations could not spur economic development (Hyden, 1988). While those in new coops generally benefited from improved marketing services and higher crop prices, membership was frequently limited to a few privileged cash crop producers or white settlers (Sabry, 1990). In contrast to cooperatives developed in the Netherlands and other developed countries, these colonial organizations were not based on self-help and member initiative.

At the same time, however, parts of SubSaharan Africa—primarily East Africa—saw the growth of member-initiated cooperatives attempting to break up the monopolies of Asian traders and middlemen. These dynamic societies developed almost exclusively in relatively developed cash cropping areas and supported activities only in relation with those crops. The coops frequently grew into strong political organizations—a marked contrast with early coops in Europe.

After independence, many African Governments viewed cooperatives as suitable vehicles for agricultural development and socio-political change. The authorities
encouraged and even established rural cooperatives for two main reasons: first, to help small and poor farmers without radically changing the distribution of economic power, and second, to harness traditional societies with a long history of cooperation for purposes of rural development (Attwood, 1988). Many governments emphasized coops for marketing export crops in order to have effective control over production. Cooperatives for Senegal’s groundnuts and for Mali’s cotton are examples. Cooperatives in cash crop areas of Tanzania and Kenya initially enjoyed significant government support, since their intent was to drive Asian traders from rural areas.

Rural coops were sometimes organized to recreate traditional village organizations and promote cooperative production systems. Some examples are the Groupement Villageois in Benin, the Aldelas Comunales in Mozambique, and Ujamaa in Tanzania. A further form of cooperatives were those established under agrarian reform and land settlement programs (Sabry, 1990).

A number of donors have supported African Government efforts to set up coops. Donors have assumed that the success of cooperatives in Europe and North America could be replicated in other parts of the world using the European model. An impressive number of rural coops have been set up all over Africa, with a plethora of organizational structures and functions. There are coops for marketing, input supply, savings, credit, and producers. The consumer cooperatives found in industrialized countries are relatively rare in Africa.

After almost 30 years of development assistance and significant African Government effort, the performance of rural coops is mixed at best. There are examples of effective working rural cooperatives yielding substantial benefits to members. The savings and credit cooperatives of Northern Cameroon and Rwanda and the coffee-marketing societies of Kenya are good examples. On the other hand, a growing number of the SubSahara’s rural coops face fundamental contradictions and
problems that must be addressed. The following section will discuss internal and external constraints afflicting many coops in developing countries, and particularly in Africa.

IV. CONSTRAINTS TO EFFECTIVE COOPERATIVE DEVELOPMENT

External constraints hinder successful development of rural cooperatives. These include: (1) excessive government involvement often exacerbated by donor support, (2) the expectation that cooperatives will fulfill too many functions, and (3) unfavorable environments.

Cooperatives and Government. In many francophone African countries, the government has often mandated cooperatives to carry out various policies and programs. Instead of being member-directed bodies, coops have thus become indirect arms of external organizations such as lending institutions or extension services. Similarly, the registrar system in anglophone Africa has resulted in government intervention in coop business activities under the rationale that ill-informed and illiterate members must be protected from abuses and mismanagement. Under both approaches coops have been misused, if not abused, for government purposes (NCBA, 1990). This may well have been one of the main reasons for the failure of many African cooperatives.

The promotion of cooperatives by government officials left little room for members to set up their own self-help organizations. Since an organization's outcome and activities were predetermined from the outside, negotiation or discussion among prospective members became meaningless. Moreover, little effort was made to adapt the Western model to local conditions. The rural population's inability or reluctance to take charge of new organizations often served as a pretext for further government interference in the daily affairs of cooperatives. Government officials or
extension agents, unfamiliar with coop principles, were put in charge of setting up societies as fast as possible. The success of cooperative promotion was often measured by number of units or number of people—obviously the wrong criteria. Governments sometimes made cooperative membership compulsory and granted monopoly power to enforce effectiveness. Emphasis on speed resulted in premature registration or organizations that could not function. Because there was little time to explain the ideas and operation of cooperatives to prospective members and to train local personnel, management positions often remained in the hands of government-designated personnel. In view of outside promotion and compulsory membership, members had little interest in actively contributing to the organization's share capital. As a result, a large share was put up by governments or donors which also met deficits. Combined with monopoly power and ineffective control structures, the lack of profit constraint often led to inefficiencies, mismanagement, and irregularities. Financial dependence on government or donors only increased the chance of external interference in cooperatives.

Instead of becoming member-led, self-administered, collective business organizations, the rural cooperatives of many developing countries were thus government-funded, semi-public institutions (Schillinger, 1990). They were in fact "Gov-operatives" rather than true membership-based cooperative organizations (Dutch Ministry of Development Cooperation, 1990). As a consequence, most coops ended up as mere collecting agents of agricultural produce for public marketing boards, as distribution channels for agricultural inputs, or as lending agencies for government- or donor-provided resources. Their activities and organizational structures were heavily regulated by laws too detailed to be understood by the average member, especially when there was no serious effort at education.
The rural population came to consider cooperatives to be government affairs. They saw them as a government instrument of exploitation or, conversely, as an easy way to get government benefits. Since neither of these two conceptions has anything to do with collective self-help, it is hardly surprising that rural coops have not succeeded. A "deofficialization" and a redefinition of the relationship between cooperatives and government are thus vital. As this paper will discuss below, this process has already begun in some countries.

External Donors and Cooperatives. Foreign aid directed at coop development in SubSaharan Africa has often reinforced external involvement in coop affairs. Most bilateral and multilateral development aid has passed through official government channels, thus is has directly supported government control. In many cases external funds have promoted cooperative departments set up to deliver promotional services and activities—the bulk of these services should more properly have been disseminated by second- or third-tier support structures of the coop movement itself (Thordarson, 1990). From the donor and government point of view it was desirable to channel funds through centralized official structures that could easily absorb funds rather than through decentralized coop organizations. In addition, many donors shared the government belief that cooperative activities had to be externally regulated, at least until the movement was mature enough to control itself. This attitude may have reflected the donor goal of promoting democratization through the development of independent cooperatives (Hanak and Loft, 1988). The extent to which individual governments pursued this goal remains questionable.

Given the limits of education in most rural areas, it seemed efficient to concentrate training efforts at the central level, which often meant government cooperative departments. The theory was that a structure built at the top would animate the local level and build cooperatives. Not enough attention went to
encouraging local awareness and initiatives. As a result, the base to support the
government- and donor-built structure was missing.

Rural coops were generally seen as an instrument to promote development and
alleviate poverty; external assistance often failed to recognize the need to
strengthen the movement itself and to build structures at all levels. Assistance to
rural coops was managed within the larger framework of aid to a specific country.
This approach affected the quality of assistance to coops, for most development
agencies lacked formal policies and procedures on cooperative development
(Thordarson, 1990).

Use of Cooperatives as Development Tools. Since rural cooperatives have
generally been seen as a means to spur development and to alleviate poverty, they
have been expected to achieve social as well as economic goals. Along with spurring
production and mobilizing resources, they have been asked to improve equality of
opportunity and social justice. This has overburdened the managerial and financial
capacity of coop organizations and often rendered them more dependent on external
resources.

Provision of social welfare services for economically weaker members was
expected of better-off members. Rather than reinvesting profits or redistributing
them based on member shares, many coops were to invest them in social services.
This was completely different from the economic orientation of early rural cooperatives
in developed countries and of successful ones in developing countries. It also
contrasts with practice in most informal group arrangements, which do not generally
redistribute risks and rewards in favor of weaker members (Attwood, 1988).

Coops can only become viable and independent if they operate as business
entities in pursuit of profitability. Their development and expansion should be
determined by member ability to manage, control, and, to a reasonable degree, self-
finance (Bottomly, 1989). The majority of resources for expansion should come from funds earned through surpluses in trading operations. The decision to expand should be made by members rather than by governments or donors pursuing their own development objectives. And whether expansion should focus on further economic services or on social services should be up to cooperative management and members.

To make sound decisions, members and management will need a certain level of education and understanding of basic business principles. This can best be achieved with education at the grassroots level and with training of managers. Experience has shown that in the early phase of cooperative development, most members will opt for expanding business rather than for social activities. Rural coops supported by NCBA in Niger, for example, have decided to reinvest profits of the last five years in further economic activity. Members decided that their organization was not yet financially strong enough to provide social services.3

There is frequent failure among cooperatives expected to carry out both social and economic activities. This has led some development practitioners to conclude that cooperatives can only effectively help weaker members of society if they are made up of participants with the same socio-economic background. Attempts have sometimes been made to establish cooperatives to service a particular target group. Generally, these organizations were set up in areas with a weak income base and had little chance to become viable.

The idea that cooperatives can function only if members have the same background can be refuted by the examples of successful ones in both developed and developing nations. Rural coops in the Netherlands, were often started by wealthier members and joined later by smaller producers. The key characteristic was that such organizations were never expected to redistribute income or operate on other than economic principles. Successful sugar-processing factories in Maharastra point in
the same direction. Those cooperatives were started by wealthy sugargrowers and depend on a supply of sugar cane from small producers. Cooperation between small and large producers has occurred because of technical factors in the production process, not because wealthier members feel obligated to redistribute income in favor of poorer ones.

Given the limited success of cooperatives as redistributional devices or mechanisms to provide extensive social services, it seems clear that they may not be suitable for those tasks and that other arrangements will have to be found.

**Unfavorable Environment.** In considering the disappointing performance of rural coops it is well to remember that many have operated under extremely difficult conditions. They exist in areas where members are poor and produce little surplus. In addition, rural cooperatives fare high operating costs, low margins, low turnovers, narrow inventory stocks, fluctuating seasonal demand and trading patterns, and weak infrastructure. In many instances, private entrepreneurs have not found it profitable to break into these markets, yet cooperatives have been expected to succeed.

**Economic Base.** Many governments and donors have considered coops inherently appropriate and have paid little attention to economic potential or the nature of the local crop. Practice has shown, however, that cooperatives can only succeed where the economy is relatively monetized and where a certain level of surplus is produced. Experience also suggests that service coops dealing with export crops are more successful than those for subsistence crops. Cash crops frequently require further processing and are difficult to sell in local markets, which makes centralized marketing useful. In addition, crops that require processing often allow for scale economies in activities that increase the value of the goods (Lele, 1989). Among cooperatives organized to market and process cash crops in Sub-Saharan Africa, those that have fared best have dealt with crops for which simple processing can
provide significant value added (coffee or milk). Cooperatives dealing with high bulk and low value food crops have seldom been economically viable. Experience in rural Kenya is illustrative: coffee, tea, pyrethrum, and dairy coops have done well while food coops have had little success.

Should donors limit their efforts to support coops in areas with a relatively strong economic base? This was the question facing Nordic assistance in East Africa where, particularly in Kenya the initial support was given to economically stronger coffee cooperatives. The expansion to the areas of food crops gave questionable results and subsequently it was decided that Nordic assistance in Tanzania from 1984 onwards would target marketing, input supply, and credit coops in cash crop areas. A related decision was to support marketing of agricultural produce, input supplies, and savings and credit facilities—and to abstain from social service work (Andersen, 1990).

Discrimination Against Agriculture. In many developing countries, the agricultural sector has suffered discrimination through administratively set low prices or through overvalued exchange rates. The latter causes low prices for imports compared with those of competing home goods and nontradables. Consumption of imported cereals such as wheat and rice has displaced locally produced maize, cassava, and sorghum. In rural coops, many producers have become discouraged by low prices and implicit taxes and have reverted to near self-sufficiency, leaving little produce for marketing or processing. Cooperatives active in input supply have also suffered from the low profitability of agricultural production; the market for their products has remained small and prices limited. Administratively determined prices can severely hamper a cooperative's discretion and its ability to operate effectively. When prices are set at the producer and the wholesale (or consumer) level, cooperatives have frequently only been allowed a narrow margin. Low marketing margins have been a particular
problem for cooperatives assembling export crops from members and reselling them to the government marketing board. Coops compelled to deliver crops to government agencies have often had long waits for payment. Dissatisfied members have then tried to revert to other marketing channels. Another frequent response to deterioration in the terms of trade for farmers has been migration to urban areas—and dissolution of coops.4

The degree of historical discrimination or neglect in the agricultural sector is seen in Table 3 and Figure 2. They show estimates of the extent to which producers in five countries were taxed and of the time path of the nominal protection index or price paid to producers as a production of border price parity minus costs of transport, marketing, and processing. A coefficient of less than one indicates taxation; more than one indicates subsidy. With the exception of Kenya, the predominant number of low values in the table indicates the large implicit tax imposed on agricultural producers. Moreover, revenues extracted from the sector are seldom ploughed back for better services or infrastructure. There have been some recent improvements, in regard to principal export commodities. For 30 of 45 SubSaharan countries, average taxation of those commodities has declined over the last decade.

Cooperatives granted monopsony power over certain crops had little incentive to operate efficiently. This has been the case in Zambia with cooperatives that have the sole power to market maize. Both producer and consumer prices are administratively set, but marketing margins come through a process of negotiation during which the cooperatives overstate costs. As a consequence, they have little need to be cost conscious (Gerremo, 1990). The monopsony power of Zambia’s cooperatives enhances inefficiency and also discourages maize producers from becoming members. Since all producers must sell their maize to the local cooperative
at a set price, there is no clear incentive actually to join the society and contribute
to its share capital (Gerremo, 1990).

Clearly, low profitability in agriculture has negatively affected producer coops.
High input and low producer prices, monopsony of marketing boards, and restrictions
on the marketing of cash crops have all been important factors in preventing such
cooperatives from being viable.

Unfavorable Policies Towards Cooperatives. Cooperatives that extend
investment and producer credit suffer because borrower capacity to repay loans has
been low. Even more detrimental, however, have been the government and donor
policies aimed directly at rural credit. In many cases coops providing credit have been
flooded with funds made available by governments or donors for onlending to members.
Easy access to external sources has left such cooperatives with little reason to
mobilize their own resources and thus evolve into strong organization. In an attempt
to make funds available to as many borrowers as possible, providers often defined
unrealistic lending targets without consulting cooperative management. As a result,
cooperatives could not grow organically and expand according to their own
management and financial capacity. Rapid growth often leads to an overburdening of
management and a lack of financial discipline. This was frequently aggravated by the
fact that cooperatives were obliged to grant credit at low interest rates. Often
these rates did not allow the coop to cover costs, so a part of operating expenses
also had to be covered by donors or government. Many cooperatives became
inefficient. Continued access to external funds and the lack of profit constraints
left the cooperatives with little motive to enforce loan agreements, thus there were
low recovery rates. Deficient accounting and auditing worsened the situation.

Tempted by the availability of cheap credit, rural producers joined coops to
gain access to funds rather than to participate in a self-help organization.
Cooperative management faced little member pressure spurring organization's economic health.

In contrast to weak organizations, a growing number of specialized savings and credit cooperatives have been able to develop slowly into strong, membership-based institutions. The credit union movement in Cameroon and the Banques Populaires in Rwanda and Benin are examples. Notably, their operations are based mainly on mobilizing savings rather than on extending massive amounts of cheap, externally provided funds but they grew not from the initiative of government agent or donors, but from work by local community leaders. Much effort has gone into membership education. External assistance is mainly obtained for institutional development and educational purposes, while funds for lending operations are largely raised by the coops. Individual societies get support from umbrella organizations that provide assistance in management, education, and auditing and diversify coop risk by acting as a central liquidity fund (Marion et al., 1990).

Successful rural coops in Sub-Saharan Africa are nevertheless the exception rather than the rule. Encouraging and assisting governments to create an environment more favorable to cooperative development is an important task that donors face today.

**Internal Constraints**

Major internal problems have also prevented rural coops from developing successfully. These include: (1) limited membership participation, (2) structural problems, and (3) management problems.

**Limited Membership Participation.** Membership participation is a cornerstone of self-help organizations. Active member involvement fosters institution-building at the local level. Cooperatives promoted and managed from above stand little chance of
getting members to participate actively. Members who have joined solely to gain services are unlikely to work in the organization or feel responsible for it. The same applies to members who have been compelled to join. Cooperative members will give support and hold leaders accountable if they consider an organization their own. The key to this sense of ownership is decision-making (NCBA, 1990). Members themselves would help select cooperative economic activities and ways of implementing, organizing, and managing them. Cooperative members must be in a position to hold management accountable, which implies transparency. This in turn requires constant evaluation and feedback on activities and the accessibility of records (NCBA, 1990).

Given the current level of rural education of most developing countries, cooperative members will be ill-equipped to make decisions or to check on the performance of management without basic training. Unfortunately, the importance of grass-roots education has been underestimated. In many countries, cooperative colleges, often supported by donors, were built to educate cooperative department members, managers for apex organizations, and a few cooperative promoters. Training of potential coop members was frequently neglected. The selected few who enjoyed training were expected to pass on the basic principles to coop members. Education of potential members was considered a resource-intensive task that still could not guarantee that cooperatives would be adequately managed. It was therefore judged cost effective to train members at the top level.

The need for education at all levels is increasingly recognized, however, and recent grassroots projects have proved successful in assuring active member participation. Good examples are projects supported by NCBA in Niger, Mali, Rwanda. Technical assistance is limited to assisting coops to gain access to technology and information needed to carry out self-selected business activities and to establishing direct relationships between coops and credit sources. The projects provide
education at three levels: host country trainers who subsequently assist coops to acquire skills to manage themselves, local coop managers, and coop members.

Host country trainers are selected, with input from cooperative leaders, to undergo training sessions and field work. Individual cooperative societies are acquainted with the project, then left to decide whether to join it. Members of participating coops receive education in their own locality, this guarantees a mix of formal and on-the-job training. A host country trainer is assigned to a local coop for six to nine months, after which he will periodically recontact the society. During his stay, he assists members in defining, organizing, implementing, managing, and evaluating a series of profitable business activities and trains a local apprentice to take over responsibilities. Local managers join in organization and management programs. Members are encouraged to participate in basic literacy and numeracy training tied to economic activity. Record-keeping forms are developed in the local language, and members learn to use them as well as pocket calculators. This basic training, directly linked to the coop’s daily activities, helps members acquire the minimum of skills necessary to assure that the organization is run honestly and in their interest, and it provides them with needed skills for making decisions about future activities. Even when literacy and numeric training may not be shared by all members, there are means that can help individuals gain confidence and control. Marketing coops in Niger, for example, have developed a simple system of symbols, familiar to each member, to account for the quantity of goods delivered (Gentil, 1988).

The first step in attracting effective participation often consists of convincing coop members and managers that they have the ability to run activities on their own; there is no need to depend on outsiders. Breaking the tradition of leaning on government agents is thus a major task, as is defining the coop’s independence vis-a-vis government.
Structural Issues. Because cooperatives are member based, structural problems can arise over issues of common property and of the need to reconcile long-term institutional objectives with short-term individual concerns. These problems may be reflected in the capital structure of individual societies. Undercapitalization is a frequent challenge in developing countries. Many rural coops operate in poor areas, which may contribute to undercapitalization. But members’ preference for redistributing surplus rather than increasing capital may be a more critical factor. Members may also invest only the minimum amount required, since returns on equity investments in coops may be lower than those from other investments. Setting a capital contribution low enough to not preclude poorer members from joining is desirable but does not imply that the amount required from every member must be low. Members who initially paid a low contribution could be required to pay an annual fixed sum in subsequent years. To avoid undercapitalization certain regulations or equity financing may be called for. For example, a cooperative might be required to reinvest a certain share of profits.

Individual vs. Collective Interests. The basic structural problem with cooperative arrangements results from the discrepancy between individual costs of actions and individual benefits. While the member bears the full cost of his actions taken in productive activity and the full benefit of credit he borrows, he usually receives only a share of the aggregate benefits or costs. Moral hazard and free-rider problems can arise. The outcome is usually member overborrowing and undersupplying effort or other costly production activity. Non-cooperative behavior yields an inefficient outcome when joint activity, output, or liability is fully shared among members. Everybody’s welfare can improve when each one increases effort or productive activity. To deal with these problems a system of incentives and sharing rules is needed (Holmstrom, 1986; Mirrlees, 1976; Braverman and Guasch, 1989)
Possible conflict between short-term member interests and long-term institutional objectives may grow as the common interest that rallied cooperators becomes less important or its nature changes. The crisis of the kibbutzim movement in Israel, for example, can be traced partly to this problem. Changes from a predominately agrarian society to a more industrial and services-dominated economy and an increasing standard of living had significant effects on kibbutzim ideology (Rosollo, 1990). Conflict of interest reinforced by lack of a common goal has also negatively affected performance of many cooperative societies in SubSaharan Africa and other developing areas. There, the main reason for lack of common interest has been the promotion of cooperatives from above.

Even true member-centered coop societies suffer from conflict of interest, which may become more important as a small group of cooperators evolves into a larger organization that cannot function solely on a basis of trust. This poses the question of how a society can grow or change without subjecting members to excessive regulations. One solution adopted by many movements is establishment of vertical control structures in the form of regional or national apex organizations.

**Multi-Tier System.** Besides exercising a control function, apex organizations can take full advantage of scale economies in certain production or processing operations. In addition, they can diversify risk, smooth cash flows, and increase capital investment opportunities. In many countries apex institutions have assisted primary operations with managerial, auditing, and educational tasks. Apex organizations thus allow individual coops to take advantage of the benefits of a large structure while maintaining their own size and scope.

This multi-tiered structure can, however, yield problems. In cases where coops have been promoted from the top, higher-tier organizations have tended to treat member societies paternalistically. Sometimes the apex organizations have been staffed
by government personnel, which reinforced the paternalistic approach. The dependence of individual societies on their unions may have detrimental effects on individual societies if the union is badly managed. In addition, heavy financial inter-reliance between first- and second-order organizations can lead to moral-hazard behavior. An illustrative example is the current financial crisis of the Israeli movement. Primary societies in Israel began to overborrow and engage in more risky undertakings than they would have if they had not been able to rely on the apex organization for funds. But funds became scarce and interest rates skyrocketed when the government took anti-inflationary measures. Regional organizations collapsed one by one leaving member associations without credit supplies (Zusman, 1990; Huppi and Feder, 1990).

Slightly different examples can be quoted from Cameroon, where the apex organization of the credit union movement, CAMCUL, acts also as a central liquidity fund for the movement. Recently, encouraged by the government and attracted by higher interest rates, CAMCUL made deposits with government-owned banks using funds from the central liquidity fund. Unfortunately, financial crisis forced several government-owned banks to close and consequently some of CANCUL's and member credit unions' funds are locked up. Subsequently, the problem has been solved, in favor of the credit unions, by giving priority status to their deposits as savings from smallscale depositors.

**Multipurpose vs. Single-Purpose Organizations.** Do cooperative societies fare better as single-purpose or multipurpose organizations? Multipurpose coops have several potential advantages. Cooperatives members such as farmers can satisfy diverse needs at the same place, save time, and benefit from economies of scope. Provision of multiple services increases contacts between coop management and members, which can allow managers to gain information about member-customers. This is especially important in case of lending operations. Interlinking various operations
may improve the results of one or both activities. For example, joining crop marketing and credit operations may increase repayment rates for loans if crop proceeds can automatically be credited as loan repayments. Increased contacts may also enhance the incentives for active participation. Finally, the cooperative may benefit from economies of scope with a multitude of services.

Notwithstanding such advantages, there are arguments against multipurpose cooperatives, at least in the early years of a society. The provision of many services entails complex organizational requirements and may overload management. There is also a danger of losing track of unprofitable activities within the overall operation of the cooperative.

Experience with multipurpose cooperatives has been disappointing for the above reasons. By contrast, the single purpose of credit unions may have been a key factor in their success. There are, however, some examples of successful societies providing various services. NCBA has found that single-purpose coops, such as those in marketing, may lack year-round activities, thus skills lie dormant. Multipurpose activities avoid this handicap and have been carried out successfully by coops in Niger, Mali, and Rwanda (NCBA, 1980).

A possible way to combine the advantages of single- and multipurpose coops without straining management would be to keep separate organizations for different activities but encourage close cooperation between different types of societies. In the case of rural credit, for example, there would be an exchange of information between marketing and savings and credit societies (Spengler, 1990).

Management Problems. Inadequate management and accounting have undercut rural cooperatives. Despite increased training of managers, bookkeepers, and accountants—often donor financed—the results have been disappointing, for operational procedures and standards remain low and dishonest practices continue to
be common. One reason for failure may well be that training has often occurred at
an abstract level without identifying specific needs of managers. There may also be
inappropriate accounting systems or inadequate supervision. This suggests a need
to identify bottlenecks and then define individual solutions. The provision of courses
at cooperative education centers is certainly indispensable. But such courses must
be complemented by specific training programs tailored to a particular union.

Where the problem is inadequate management structures or accounting systems,
there is an important role for donors to assist in reshaping them. One of the
successful achievements of the Nordic assistance to the Kenyan coop movement, for
example, was standardization of accounting procedures (Rasmussen, 1990), which
facilitated financial management and supervision. Inadequate guidance and supervision
are as important a constraint as lack of skills. Faulty supervision can result in
corruption. Supervision is important for individual societies, and crucial for
cooperative unions or federations. A badly run umbrella organization can bring about
the demise of effective societies.

Guidance to coop managers has often come from government officials who
themselves have had very little business experience. Donors have tried to respond
by putting expatriate experts at the disposal of local cooperative movements. These
experts have frequently ended up taking over important positions; they have improved
management but have frequently failed to pass on know-how to local counterparts.
With expatriate experts in top positions, there was also a danger that local managers
were not involved in vital planning or implementation. An evaluation of Nordic support
to Kenya, for example, highlighted this problem (Rasmussen, 1990). Similar problems
appeared in the provision of extension services. Despite resources spent by donors
for agricultural extension, there was little payoff (except in the case of Kenya hybrid
maize) and there was also low productivity for onlays on agricultural research (Lele, 1987).6

Given such problems, a possible solution may be providing higher-standard advice rather than management expertise. In the words of Bottomley: "The need is more for a service of professional consultancy on specific operational problems than for one of paternalistic control and direction" (Bottomley, 19889:154). Many donors have recognized this. The ILO, for example, recommended provision of management and policy consultancies in the 1960s already; it has since given advice to many governments on the revision of cooperative laws and to coop movements on institutional issues (von Muralt, 1990).

More recently, the Friedrich-Ebert-Foundation (FES) has developed the "consultancy approach" to cooperative and micro-business development.7 This strategy establishes an independent support unit as a "consulting office" run by FES alone or as a joint FES-local venture (for example, with cooperative apex organization, local NGOs, or banks). A consulting office is normally directed by an expatriate project leader and employs a small team of highly qualified staff. For specialized advice and studies the office further draws on local and foreign expertise. Partnership between the FES consulting office and its customers (a cooperative union or a primary society) varies according to services. These can include everything from implementation of an action plan to case-by-case help on credit, training, feasibility studies, and the like.

The FES' experience with consultancy has shown several advantages over a more traditional approach. As an independent partner, the project has greater bargaining power than it would have as an integral part of either the coop movement or a cooperative department. This independence is of particular importance where the cooperative sector is still subject to strong government interference. The
Independent unit has flexibility and can respond quickly to urgent needs at the grassroots level. As an entity relying heavily on contracted expertise, it can provide specialized advice in a more cost effective manner. Given its relatively low overhead costs, a small support unit could also be integrated into a national apex organization more easily than development projects with substantial infrastructure (Schillinger, 1990). Two important risks of the consultancy approach are that its success heavily depends on the professional quality of the expatriate project leader and that its action-oriented approach may overlook overall political and institutional reform tasks (Schillinger, 1990). Even so, its flexibility and ability to respond quickly makes it an effective complement to more policy-oriented approaches.

V. THE FUTURE OF RURAL COOPERATIVES IN SUBSAHARAN AFRICA

Preconditions for Successful Cooperatives

In view of the mixed record of rural cooperatives in Sub-Saharan Africa, the question must be asked: do these institutions represent a viable way to serve the rural population? The preceding discussion seems to indicate that cooperatives' failure may be due to unfavorable conditions rather than to inadequacy of the approach itself. What then are the preconditions for successful rural cooperatives?

The answer is complicated by the diversity of environments in which developing-nation cooperatives have been successful and by the great variety of cooperatives that function well. Analysis of success or failure must take this diversity into consideration. There is an urgent need to analyze further the environments in which different kinds of rural cooperatives thrive.

Despite the current limitations of research, however, there are a number of lessons that can be drawn from experience.
One important lesson is that cooperatives cannot be expected to provide a universal institutional solution in an environment where other actors—private entrepreneurs or parastatal institutions—have not been able to survive. Cooperatives cannot provide a plethora of social services, at least not until they have successfully focused on economic services. Genuine cooperatives should be considered a particular segment of the private sector that has the potential to give the rural population agricultural services because it is owned and controlled by member-clients organized to achieve specific economic goals. Under certain circumstances coops may thus have an advantage that allows them to compete effectively with or complement parastatal or private actors (Pohimeier, 1990).

If one accepts that cooperatives must engage in activities that have sustained, positive economic consequences for members, external agents like governments or donors should not support them unless they have a reasonable chance of becoming independent business units. This strongly suggests that cooperatives may not be the ideal vehicle to assist the rural population in resource-poor areas or those where little surplus is produced.

A final and possibly most important conclusion is that governments and donors must refrain from using cooperatives as vehicles to carry out their own development-policy agenda. Cooperatives may need support in their initial phase but must not be run by external actors.

As a result, the role of governments and donors must be redefined and new ways found to assist cooperatives in their development as true self-help organizations.
The Future Role of Governments in Cooperative Development

Cooperatives can only develop as strong organizations if there is a political environment conducive to local initiatives and if government is willing to accept cooperatives as genuinely independent actors. This almost invariably calls for redefinition of the relationship between cooperatives and the state. Given the current strong presence of government in most cooperatives and the dependence of cooperatives on external resources, it is not realistic to expect a divorce overnight. In many cases cooperatives would not be in a position to accept immediately the responsibilities so far handled by government officials. Significant efforts are needed to strengthen and sometimes even create the necessary cooperative structures. Cooperatives must not only be "deofficialized", but the support system helping them gain strength and self-reliance must itself be reshaped. A strategy and timetable for "deofficialization" must be worked out jointly by government officials and coop representatives. Donors may play an important role in facilitating the dialogue and assisting with the formulation of a feasible strategy.

To "deofficialize", there must be a defined role for government to play with respect to cooperatives. The goal of assistance must be to help prospective cooperative members to help themselves. Government and donors should play a catalytic role, helping the rural population mobilize their own human, financial, and productive resources. This means that cooperative members themselves must decide the nature and objective of their enterprise. External agents may provide advice or technical assistance, but participatory decision-making must remain the key.

The primary responsibilities of the government should lie in creating an enabling environment and infrastructural support. This includes clear legislation that defines the rights and duties of cooperative members, their liability, legal personality, and relationship to the government, external auditors, and others. If necessary, the
government may assist cooperatives in the elaboration of by-laws. Cooperative legislation should be written with the participation of coop members. It is crucial that laws not be too detailed and restrictive, to assure cooperative flexibility. The government must see that cooperatives are protected against unfair practices and that they are given access to profitable business activities (for example, dealing with cash crops). The government may assist with institution-building and human resource development through provision of training and education. The goal of assistance in human resource development must be to help groups generate their own leadership. Assistance may take the form of professional advisory services, establishment of independent consulting services, described earlier, is preferable. In the infant stages of cooperative development, financial assistance may be called for, but this should supplement the coop's own financial resources and avoid covering recurrent operational costs. Finally, the government can play a catalytic role by encouraging establishment of cooperative federations and unions that must eventually be able to take over advisory, supervisory, and educational responsibilities from the authorities.

Many African governments have already recognized the need to let coops develop into an autonomous movement and have made a serious commitment to this end. Under the auspices of the International Cooperative Alliance, ministers responsible for cooperative affairs and representatives from the movement in East, Central, and South Africa have established a regional coordinating committee to work out policies to bring about autonomy of cooperatives. The aim is to arrive at fully autonomous movements by 1995. While the policy commitment is now present, progress has been relatively slow; much remains to be done to remove legislative obstacles, establish long-term policies, and create a favorable environment in which genuine cooperatives can develop (Thordarson, 1990).
In Burundi, the government and the cooperative movement have agreed on a comprehensive program to restructure the sector with the assistance of the World Bank. The agreed agenda includes gradual replacement of the cooperative department by a proposed coop federation, a performance assessment of all primary and secondary cooperatives with the objective of dissolving non-viable cooperatives and concentrating efforts on potentially viable ones, and a study of numerous informal groups and pre-cooperatives to facilitate their development without impeding on their independence. (Pohlmeier, 1990).

In Cameroon, several donors joined forces with the Ministry of Agriculture in organizing a seminar on the current cooperative situation and possible changes, particularly with respect to redefining the roles of government bodies. As a result of this seminar several important steps have been taken in the direction of "deofficialization." These include the establishment of an inter-ministerial committee for cooperative development that aims at rationalizing the conflicting roles of various ministries, an agreement between the World Bank and the Government to address key issues in a structural adjustment operation, and the planned establishment of a task force responsible for donor coordination of assistance and pilot projects reflecting policy changes (Pohlmeier, 1990).

The Role of Donors

Since many of the factors that have afflicted cooperative development are of a political nature, what is needed is political and institutional reform supplemented by direct support to individual coops (Schillinger, 1990). Donors have a role to play in policymaking, support systems, apex organizations, and individual societies. The emphasis of assistance must vary according to circumstances. At the policy level, donors must help assure creation of an environment conducive to cooperative
development (O'Hare, 1990). This involves engaging in a policy dialogue with the government and in helping develop a strategy of "deofficialization." Large multilateral donors like the World Bank can play a vital role, as illustrated by the examples of Burundi and Cameroon. Direct assistance to the cooperative movement should focus on institution-building and human resource development, including assistance for autonomous federations and unions capable of taking responsibilities from the government. At the level of individual societies, support should focus on strengthening managerial, technical, and decision-making capacities. Some financial assistance may also be needed, under the same ground rules as for government financial support.

To avoid perpetuating government involvement, assistance to the cooperative movement should preferably go directly to cooperatives themselves rather than through the official institution responsible for coop promotion. Such an approach does not mean circumventing the government entirely but rather means working out agreements on how to funnel the aid. One possible way to provide direct support to cooperatives is movement-to-movement assistance, to be discussed later.

Building up true member-based, member-run cooperative systems from below is a time-consuming task. Donors must therefore recognize that the time and techniques devoted to development are more important than the provision of significant financial resources. Building a cooperative system requires long-term commitment. A recent evaluation report of the Nordic assistance project to Kenyan cooperatives, for example, found that the sustained commitment of the Nordics was one of the most important factors behind considerable success, especially in cooperative banking (Rasmussen, 1990).

Given limited knowledge about what kinds of cooperatives work under what conditions and about how to transform government-dominated coops into self-help
organizations, there is a need for donors to promote further research. The findings could be instrumental in the elaboration of an effective reorientation strategy by donors and governments alike.

To avoid the pitfalls of the past and prevent aid from strengthening government involvement in cooperative affairs, donors must coordinate their policy. One donor's decision to make assistance for cooperative promotion contingent on changes in government policy remains insignificant if another donor provides assistance without conditions. Similarly, there is a need to coordinate among donors who intend to support the same coop organization. Absence of coordination and consultation among donors assisting the same organization can lead to undesirable outcomes and even destroy the results of long assistance by one donor. The fruits of a lengthy support effort by the Nordics to cooperative banking in Kenya, for example, suffered significantly when other donors provided funds for pursuit of a cheap credit policy (Rasmussen, 1990). Other examples abound.

**Movement-to-Movement Assistance**

Movement-to-movement assistance entails institutional links between a cooperative organization in an industrial country and one in a developing country. The most genuine form of movement to movement assistance is when two coops engaged in the same commercial activities work together. An example would be assistance of a cooperative bank in a developed country to a cooperative bank (or a section of the coop movement trying to establish a bank) in a developing country. Cooperators from an industrial country share experiences and transmit know-how to those in developing countries. A potential problem may be that personnel from the industrialized country may not have had experience in transmitting knowledge. As management cultures in the two cooperatives may differ widely, reconciliation and
"acclimatization" of cooperators from the North may initially be slow. Transmission of know-how at a later stage can well make up for initial problems, however.

Another form of movement-to-movement assistance consists of collaboration between a cooperative development organization, usually established by several movements in a developed country, and a cooperative organization in a developing country. The advantage is that the development organization has its own trained and experienced personnel at its disposal, but the advantages of collaboration between cooperators specialized in the same area are lost.

An obvious prerequisite for this form of assistance is that donor and recipient cooperatives be willing to collaborate. Cooperatives in a developing country, after years of dependence on the government, may have more confidence in government assistance than in help from another cooperative. In addition, the host country government may be suspicious of collaboration outside its control. It is therefore extremely important that government be consulted and perhaps participate in the planning and review process. There is a need for formal agreements between the host country government and the donor cooperative, between the two cooperatives, and possibly between the government of the donor cooperative and the government in the recipient country.

Cooperatives in developed countries are fully occupied with running businesses and may be reluctant to engage in development assistance. They have little incentive to engage in development cooperation unless this activity is financially supported by an aid agency or directly by the government in the donor country.

Given such realities, movement-to-movement assistance may be an effective way to provide direct assistance to cooperatives in developing countries, but governments on both sides will continue to be involved—and the issue of cooperative-government relations remains to be settled.
Assistance to other Self-Help Organizations

Government dominance over coops has lead the rural population in many countries to view such organizations as government instruments to be avoided. In some cases, it may therefore be difficult to attract active membership participation. In other cases, the government may not have recognized the need to disengage from the cooperative sector, and continued assistance through the official cooperative department may do nothing but perpetuate the present situation. To get around these problems, several donors have found it more effective to assist self-help organizations other than cooperatives.

Assistance to smaller self-help organizations such as pre-cooperative groups or NGOs may have several advantages. Support can be well targeted if it is directed at already defined groups. The degree of participation of intended beneficiaries can rather quickly indicate whether the support is effective. Direct and personal access to the articulation of problems and solutions can permit a flexible and balanced relationship between supportive interventions and outcomes. NGOs may be able and willing to experiment with unorthodox approaches (von Brentano 1990).

An example of successful assistance to a self-help organization outside the coop sector is the collaboration between the Friedrich-Naumann-Foundation (FNF) and a voluntary non-profit association of informal sector business people in Kenya. The support program is based on a guided and structured definition of activities, problems, and solutions by the association’s members and leaders. Implementation agreed upon by the donor and the association is supervised by a steering committee in which the association makes up the majority. No activity can therefore be initiated without the explicit commitment of the association, and progress depends on both partners’ ability to fulfill complementary tasks. This control mechanism assures that FNF support only
progresses at the pace at which the association can assimilate assistance (von Brentano, 1990).

Other examples of successful aid to small informal groups are group lending schemes in Burkina Faso and Guinea supported by the Caisse Centrale de Cooperation Economique (CCCE). The projects are based on the group lending experience of the Grameen Bank in Bangladesh and were initiated after a series of exchanges between managers of banking institutions of three nations. Credit for off-farm activities is provided to a relatively homogeneous (same sex, same income level) group of five borrowers who are jointly liable for the loan made to each group member. Loans are granted to two group members at the time, with subsequent group members receiving loans only if the preceding borrowers have started repaying. In case of default by one member all other group members are denied access to future credit. Repayments are made in small weekly installments, adjusted to the conditions of poor people. The experience with these projects has been excellent to date, with repayment rates amounting to almost 100 percent (Nowak, 1990). This example highlights the catalytic role donors can play in the exchange of experiences with successful projects by developing countries.

Assistance to small self-help groups may also be a way of assisting particular target groups to help themselves. This is the aim of the FAO supported People’s Participation Project. The project assists NGOs in planning, implementing, and evaluating pilot projects that aim at supporting village self-help groups in rural employment and income-raising activities and at stimulating linkages with existing rural service organizations. Assistance takes the form of training for group promoters, leaders and members and of advice and support in identifying, planning, and implementing activities, monitoring, and self-evaluation (Sabry, 1990).
Given the large variety of self-help groups, donor assistance must show flexibility in form and pace. The main danger lies in a tendency to overburden the management capacity of such organizations. To prevent this, donors may have to limit aid to institutional strengthening for a certain period before further help becomes feasible. Care must also be taken not to undercut independence. Experience has shown that it is generally not advisable to try to officialize informal groups such as savings clubs and cooperative work teams. Assistance to such groups should be envisioned only if it has been solicited by the groups themselves and after careful evaluation. Members of such traditional groups are usually reluctant to engage in new activities or accept outside assistance within the existing framework. It is not uncommon, however, for members of a traditional savings club to belong as well to a credit cooperative (Gentil, 1990).

VI. CONCLUSION

Nearly three decades of cooperative work in SubSaharan Africa has clearly fallen short of expectations. Problems outside the control of coops, as well as internal problems have constrained effective development. Among the external constraints were excessive government interference often reinforced by donors, difficult economic and political environments, and unrealistic expectations of the role cooperatives could play. Internal problems included limited membership participation, structural and control problems, and mismanagement.

The most significant problem has clearly been the way in which cooperatives were promoted. Top-down promotion has prevented members from actively participating in development. Organizational forms and activities to be carried out were determined by external promoters, thus cooperatives failed to develop into true member-based, self-help entities. Governments, often reinforced by donors, have seen and used
coops as a means to help carry out their own development agendas (Lindstad, 1990). Cooperatives have very often been expected to function as social welfare as well as economic organizations, thus overburdening their weak management structures. Little attention has been paid to the economic conditions in which coops were expected to carry out diverse activities. The often indiscriminate promotion of cooperatives—without attention to internal dynamics, incentive, and control structures and membership education—has frequently resulted in bureaucratic organizations overly dependent on government support and political patronage. The main lesson reinforced by these experiences is that the relationship between governments and cooperatives must be redefined. The current financial difficulties of many governments will likely prevent them from continuously intervening in the provision of rural services, so the opportunity to redefine relationships seems real (Gentil, 1990). The challenge for the immediate future is to find a balance between state support for cooperatives and the absence of direct operational intervention. Donors can play a vital role in the redefinition of the relationship, particularly with respect to creation of an environment more conducive to development of independent cooperatives. Direct support to coops should be in the form of managerial assistance, training of officials and members, and establishment of control mechanisms.

Cooperatives must not be expected to accept too many responsibilities within too short a time. It is unrealistic to think that cooperatives can quickly assume all functions of defunct parastatals, other government bodies, or private actors. Cooperatives can surely be a vigorous alternative or supplement to such institutions in providing rural services. But building strong and viable cooperative systems is an involved and demanding task, that cannot succeed if carried out in haste.
1. A decline in the quality of African agricultural research is evident. While the first 60 years of this century saw significant contributions to farming—enabling the introduction of cocoa, rubber, mangoes, tea, citrus, and maize—the last 30 years have been far less innovative.

2. This section is based on the Dutch paper and presentation at the seminar.

3. This example comes from Ron Phillips' seminar presentation of NCBA's approach to cooperative development.

4. In Kenya, for example, during 1970–79, domestic terms of trade of export crops declined 41 percent. During the same period, the urban population grew at an annual rate of 6.8 percent compared with 3.4 percent nationwide (World Bank, 1981).

5. This example draws on the seminar paper of NCBA entitled "CLUSA Approach to Cooperative Development in Africa." No attempt is made here to describe the entire approach and its philosophy.

6. "The problems include the lack of adequate training and experience of African scientific staff, both in research and management, excessive reliance on expatriate staff (exceeding 50 percent of the national scientific establishment in several countries), and frequent changes in the organization of research systems. Organizational changes are often driven by domestic political imperatives. Conflicting advice from a fragmented donor community that embodies quite different approaches to research exacerbates the problem. Little relationship exists, therefore, between the organization, the management, and the substance of national research systems. The expatriate experts provided by donors to alleviate the shortage of trained African manpower tend to turn over quickly, which inhibits learning by doing. Also, the manpower provided by donors is geared more to doing research themselves than to training Africans to do research" (Lele, 1986, pp. 31–32).

7. The following description of the FES's consultancy approach draws on the seminar paper by Hubert Rene Schillinger entitled "Approaches and Experiences of the Friedrich Ebert Foundation in Promoting Cooperatives in Sub-Saharan Africa" (Schillinger, 1990).

8. This section is based on the seminar paper of Sven Enarsson, entitled "The Swedish Cooperative Centres' Experience with Movement to Movement Cooperative Promotion", (Enarsson, 1990).
Table 1: Net Financial Flows to Sub-Saharan Africa, 1980–87
(average annual percentage change unless indicated otherwise)

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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net financial flows(^a) (US$ billion)</td>
<td>14.6</td>
<td>9.5</td>
<td>9.0</td>
<td>12.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Change deflated by import prices</td>
<td>0.9</td>
<td>-27.1</td>
<td>-4.1</td>
<td>26.2</td>
<td>0.4</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>5.1</td>
<td>5.3</td>
<td>6.4</td>
<td>7.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Loans</td>
<td>7.8</td>
<td>3.2</td>
<td>1.9</td>
<td>4.3</td>
<td>5.4</td>
</tr>
<tr>
<td>IMF</td>
<td>1.0</td>
<td>0.5</td>
<td>0.1</td>
<td>-0.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Investment</td>
<td>0.6</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Total net ODA disbursements(^b)</td>
<td>7.7</td>
<td>7.9</td>
<td>8.9</td>
<td>10.7</td>
<td>12.2</td>
</tr>
<tr>
<td>Change deflated by import prices</td>
<td>2.8</td>
<td>5.1</td>
<td>13.5</td>
<td>13.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Bilateral (US$ billion)</td>
<td>5.3</td>
<td>5.5</td>
<td>6.1</td>
<td>7.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Change deflated by import prices</td>
<td>4.0</td>
<td>3.1</td>
<td>12.9</td>
<td>12.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Change deflated by DAC price index</td>
<td>3.8</td>
<td>3.6</td>
<td>10.3</td>
<td>-2.6</td>
<td>-2.5</td>
</tr>
<tr>
<td>Multilateral (US$ billion)</td>
<td>2.3</td>
<td>2.4</td>
<td>2.8</td>
<td>3.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Change deflated by import prices</td>
<td>0.2</td>
<td>9.8</td>
<td>14.8</td>
<td>16.0</td>
<td>9.9</td>
</tr>
</tbody>
</table>


a. Includes official grants (OECD data), net long-term lending (World Bank data), net IMF purchases (Trust Fund and SAF are included in loans), and foreign direct investment. Excludes changes in short-term debt, private grants, aid flows for which recipients were not specified, and disbursements to overseas departments and territories. Estimates for Angola and Mozambique are based solely on OECD data, with receipts other than grants included under loans. Other sources estimate different levels of net financial flows. For example, grants shown here include those for technical cooperation, which are excluded from balance of payments data given in table 6. However, total receipts reported by donors and creditors to the DAC (OECD 1989) are higher by about US$1 billion a year when adjusted for comparable coverage. Those estimated by the OECD (1989c) are even higher. Underlying trends are similar, however.

b. Based solely on DAC data and as such are not strictly comparable to total flows. Bilateral ODA includes net ODA disbursements by DAC members, OPEC countries and agencies, China, and Council for Mutual Economic Assistance countries. These figures differ from those in the Report of the UN Advisory Group on Financial Flows for Africa (United Nations 1988a), as the latter include French disbursements to overseas departments and territories. OECD data (for multilateral ODA) have been adjusted to include IMF Trust Fund and SAF.

c. Based on GNP deflators of DAC countries, denominated in U.S.$ and adjusted for exchange rate changes.
Table 2: Performance of Bilateral Aid Donors in Sub-Saharan Africa

<table>
<thead>
<tr>
<th></th>
<th>Growth in net ODA disbursements (annual percentage change)</th>
<th>Growth in ODA commitments (average annual percentage change)</th>
<th>Net ODA disbursements as share of each donor's global disbursements (percent)</th>
<th>Donor's share of total net ODA disbursements to Sub-Saharan Africa (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>11</td>
<td>-25</td>
<td>6</td>
<td>-29</td>
</tr>
<tr>
<td>Austria</td>
<td>15</td>
<td>-43</td>
<td>-10</td>
<td>n.a</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
<td>0</td>
<td>-22</td>
<td>38</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>-18</td>
<td>19</td>
<td>-32</td>
</tr>
<tr>
<td>Denmark</td>
<td>-13</td>
<td>33</td>
<td>-13</td>
<td>38</td>
</tr>
<tr>
<td>Finland</td>
<td>7</td>
<td>12</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>France</td>
<td>-8</td>
<td>1</td>
<td>4</td>
<td>-12</td>
</tr>
<tr>
<td>Germany, Fed. Rep. of</td>
<td>5</td>
<td>-6</td>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>Italy</td>
<td>22</td>
<td>53</td>
<td>0</td>
<td>73</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
<td>13</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-15</td>
<td>32</td>
<td>-4</td>
<td>16</td>
</tr>
<tr>
<td>Norway</td>
<td>16</td>
<td>24</td>
<td>-9</td>
<td>14</td>
</tr>
<tr>
<td>Sweden</td>
<td>7</td>
<td>19</td>
<td>-20</td>
<td>6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7</td>
<td>6</td>
<td>-16</td>
<td>35</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>18</td>
<td>-9</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>United States</td>
<td>49</td>
<td>-35</td>
<td>-14</td>
<td>-14</td>
</tr>
<tr>
<td>Average</td>
<td>12</td>
<td>2</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

n.a. Not Available

Source: OECD 1989; commitments are from the previous year's publication.

Note: Growth rates represent change in donors' currencies, deflated by their respective GNP price indexes. Disbursements exclude ODA for which recipients are not specified. Averages are based on totals for all donors. When France's disbursements to overseas departments and territories are excluded from its worldwide total, the Sub-Saharan share is about 48 percent.
### Table 3: Nominal Protection of Taxation of Agriculture, 1976–80 and 1978–80

<table>
<thead>
<tr>
<th>Country</th>
<th>Selected export crops</th>
<th>All crops&lt;sup&gt;b&lt;/sup&gt;</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>0.74</td>
<td>0.51</td>
<td>0.49</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.59</td>
<td>0.59</td>
<td>0.64</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>n.a.</td>
<td>0.46</td>
<td>0.76</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.79</td>
<td>1.06</td>
<td>0.84</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.97&lt;sup&gt;c&lt;/sup&gt;</td>
<td>1.13</td>
<td>0.93</td>
</tr>
</tbody>
</table>

n.a. not available

*Note:* Nominal protection is defined as the price paid to producer as a proportion of border price parity (that is, exports f.o.b. or imports c.i.f. depending on whether crop is an export or import substitute respectively) minus cost of transport, marketing, and processing. A coefficient of less than one indicates taxation and of more than one subsidy.

a. Unweighted average.

b. Weighted average.

c. 1971–75.

Source: Gulhati, 1990.
Figure 1: Real Agricultural Producer Prices

Index, 1980 = 100

Figure 2: Agricultural Price Incentives
Nominal Protection Coefficient for Export Commodities

(18-country average)
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