



SECTION TEN

NATIONAL COOPERATIVE DEVELOPMENT POLICY

TABLE OF CONTENTS

PREAMBLE

1.1 The Role of the Co-operative Sector in National Development	347
1.2 The Political and Economic Environment	408
1.3 The Principles and Objectives of Cooperative Development	408
1.4 The Performance of the Cooperative Sector	410

THE CONSTRAINTS AND OPPORTUNITIES OF THE COOPERATIVES SECTOR

2.1 Organizational Problems	411
2.2 Institutional Linkage Problem	413
a. Within the Sector	
b. Between the Cooperative and other Types of Enterprises in the Private Sector	
c. Between the Cooperatives and Government Institutions	
2.3 Financial Problems	415
2.4 Socio-cultural Problems	416

THE IMPERATIVES AND OBJECTIVES OF NATIONAL COOPERATIVE POLICY

THE ROLES OF GOVERNMENT AND THE COOPERATIVE MOVEMENT

a. The Role of Government	418
b. Expected Roles of the Cooperative Movement	419

COOPERATIVE FINANCING

5.1 Principles of Cooperative Financing	420
5.2 The Structure of Cooperative Financial System	420
5.3 Access to Finance through Cooperative Financial Institutions, Banks and Insurance	421
5.4 National Cooperative Development Fund	421
5.5 Grant and Donations	422
5.6 Other Source of Funds	422

ADMINISTRATION AND MANAGEMENT OF COOPERATIVE BUSINESS

- 6.1 Cooperative Business Management 423
- 6.2 Cooperative Business Extension and Advisory Service 423
- 6.3 Management System Development 423
- 6.4 External Audit 423

TECHNICAL SUPPORT SERVICES AND CAPACITY BUILDING

- 7.1 Education and Training Service 424
 - a. Formal Education 424
 - b. Non-Formal Education and Short Term Training 425
 - c. Training Fund 425
- 7.2 Management System Development

COOPERATIVE ORGANISATION STRUCTURE

- 8.1 Societies 426
- 8.2 Unions 426
- 8.3 Apexes 426
- 8.4 Placement of Cooperative Matters at Federal and State Levels 426

SPECIFIC ECONOMIC SECTOR POLICIES

- 9.1 Agricultural Sector 428
- 9.2 Industrial Sector 429
- 9.3 Commercial Sector 429
- 9.4 Finance Sector 430
- 9.5 Services Sector 430

STRATEGIES FOR GENDER AND OTHER SPECIAL GROUPS

- 10.1 Gender Issues 431
- 10.2 The Disabled 431
- 10.3 Unemployment and Disadvantaged Youths 432

COORDINATION, MONITORING

- 11.0 Coordination and Monitoring 432
- 11.1 Evaluation and Review 433

1. **Preamble**

1.1 **The Role of the Co-operative Society In Nigeria's Development**

- a. Political stability is a precondition for economic growth, prosperity and general development. Political stability requires good governance, selflessness, adherence to democratic principles, respect for the rule of law, for human rights and dignity, transparency, accountability and participation by the people in the political and economic affairs of the nation.
- b. The cooperative movement is a great adherent to these cherished universal human values. For, due to the nature of cooperation, it provides the avenue for peaceful coexistence, service to others and self-help in the various sectors of the economy. When cooperatives are encouraged and efficiently operated, they could take care of most of the needs of their members/patrons and in the process could also take care of the needs of the general public. There are productive cooperatives in all the branches of agriculture (crops, livestock, fisheries, forestry), the inputs, supply and distribution, the marketing of agricultural produce and other essential commodities. The all important financial needs of large numbers of small producers and non-agricultural small-scale industrial sectors are easily provided through cooperative thrift and credit operations. The cooperative movement presents one of the most potent means of capital accumulation through savings by members.
- c. Cooperatives therefore play a pivotal role in the task of nation building and general development. Hence, given the economic weakness and small scale nature of the economic activities of most Nigerians, co-operatives need to be empowered through an effective cooperative policy that crates an enabling environment for them to operative profitably.
- d. Approximately 5 million families are actually participating in cooperatives at various levels (society, union and apex). The movement is touching every sphere of the people's lives, especially the poorer segments of the populace. As such the movement stands a great chance to assist the government in reducing the problems of mass poverty, thereby ensuring political and economic stability of Nigeria. If cooperatives should play leadership roles in inputs supply, primary production, processing and distribution, the impact will be felt nationwide. If they are in the forefront in the marketing of agricultural and industrial goods, the effects will be dramatic since their purpose is to make life easier for all the citizens, including non-cooperators.
- e. The vision for Nigerian Cooperative sector is to promote the members' entrepreneurial capacities so that they can generate adequate surpluses for themselves and create opportunities for economic progress for the public.

In this way, greater employment opportunities ensue, thus raising the income of individuals and families and improving the general welfare of Nigeria.

1.2 **The Political and Economic Environment**

Following the termination of fifteen years of disastrous military dictatorship on 29th May, 1999, Nigerians resolved to build a new democratic order and a stable polity that could guarantee national economic development, equal opportunity and prosperity for all. With its population of 140 million people, a well-endowed land area of 923, 768km Nigeria is determined to build a solid foundation for its future greatness and prosperity. The main political orientation of the Government which under-pins its economic policy, is the provision of good governance in all its ramifications, by upholding the sacredness of constitutional processes, democratic principles, rule of law, respect for human rights and human dignity, transparency, accountability and a clear and principled stand against corruption and corrupt practices. The Government is also determined to cleanse its own operations in such a way that its institutions are free of corruption and operate under the law, with clear procedures and guidelines for orderly change and succession.

The government is determined to build a strong economy which is market oriented, private sector-led, technology-driven and highly responsive to the needs of our people and the competitive standards of the international community. In order to attain this noble objective, government is currently implementing its economic programmes making major investments in infrastructural development, job creation and poverty reduction. This is designed to create, and up grade enhance the enabling environment for our people to utilize their immense creative energies and realize their full potential.

1.3 **The Principles and Objectives of Cooperative Development**

- a. Cooperative are unique organisations (associations) with both social and economic objectives. As a social unit, the cooperative is made up of a group of persons who voluntarily agree to come together and utilize their resources for the attainment of common objectives and fulfilment of common felt needs. As an Economic Unit, a cooperative aims at promoting and protecting the economic interests of its members. As socio-economic organisations, cooperatives are different from other Non-Governmental Organisation (NGOs) and Community Based Organisation (CBOs), which often have purely socio-cultural goals.

- b. Cooperative are regarded as one of the most important means of attaining economic and social development in developing countries. For this reason, the movement is regarded by International Organisations, especially the UNDP and the ILO as the most important institution for job creation and poverty reduction in Africa.
- c. The 1993 Act of Nigerian Cooperative Societies has provided for registration and operation of Cooperatives in the Federation. This is with a view to fostering the achievement of the national objective of socio-economic development in the country, especially in the rural areas. The expectation is in conformity with the national policy of using Cooperatives as reliable vehicles for the attainment of national development. The cooperative programme is designed to promote Cooperatives as participatory institutions contributing to employment creation, poverty alleviation, income generation and improvement of socio-economic conditions in both urban and rural areas.
- d. The basic principles and sacred value system, which characterize the cooperative movement, focus on self-help, democracy, equality, equity, solidarity, honesty, openness, social responsibility and empathy. The seven universal principles that guide cooperatives operations as provided by the International Cooperative Alliance (ICA) are:
- i. Voluntary and open membership;
 - ii. Democratic member control;
 - iii. Members economic participation;
 - iv. Autonomy and Independence;
 - v. Education, Training and Information;
 - vi. Cooperation among Cooperatives;
 - vii. Concern for the Community.
- e. These principles are kept in mind by government, cooperative movement and all cooperators in the country. There is, nevertheless, a need to operationalize them as has been done in this document to accommodate socio-cultural and socio-economic peculiarities of the Nigerian people.
- f. Cooperatives are private, member-oriented enterprises that operate on the principles of democracy and market economy. They are established as voluntary associations of like-minded people to:
- i. pursue mutually beneficial, social and economic interest;
 - ii. provide goods and services to each other and the general public in the most cost effective way;
 - iii. prevent exploitation of the weaker members of the society by bringing them together to help themselves;

- iv. protect the rights of the people as producers and consumers of goods and services; and
- v. promote mutual understanding and peaceful co-existence among the people of Nigeria.

1.4 **The Performance of the Cooperative Sector**

From the inception of formal cooperation in Nigeria in 1935, the movement has achieved several landmarks viz:-

- a. The development of export crops production in quality and quantity leading the way in foreign exchange earnings from cocoa, palm produce, groundnuts, cotton and rubber. In the Western Region, Cocoa Producers Cooperatives catered for inputs supply and distribution. They handled more than 40 percent of the cocoa marketed in the 1950s and 1960. In this way, the Cooperative touched the lives of practically all farmer families in the Region. The involvement of cooperatives in palm produce processing and marketing in the Eastern Region was equally impressive while cooperatives handled substantial proportions of groundnut and cotton trade in Northern Nigeria.
- b. The minimization of exploitation of producers by middlemen and traders. Again in Western Region, cocoa spraying equipment and chemicals were channel led through cooperative societies which existed in virtually every village.
- c. The development of indigenous banking which favourably competed with the foreign banks and broke their monopoly in financial intermediation. Starting with the Agbonmogbe Bank, the Western Region established the Cooperative Bank through Cooperative Investment Trust Fund. The bank is currently one of the most successful in Nigeria with capital assets running into billions of naria. The Eastern Region similarly established the Bank of Cooperative and Commerce.
- d. The mobilization of enormous financial resources from small cooperative savers thus thrift and credit systems that have helped millions of small-scale individuals to establish business and to become house owners.
- e. The formation of strong viable cooperative societies in urban and rural areas throughout the country. In 1990, there were 29,900 societies having 2.6 million members. A 2% annual increase in number would mean 36,500 societies in the year 2000 while membership would rise to 3,2 million. If the cooperatives formed under national Agricultural Land Development Authority (NALDA) programme, Better Life

Programme (BLP) and Family Economic Advance Programme (FEAP), are added, the number of societies would be more than 50,000 while membership would increase to over 5 million people in 1999, the World Bank estimated that there were 30,000 societies.

The financials of the cooperative movement is currently more than N5 billion with the combined National Association of Credit Unions owning more than 40% and actively lending to the small individual members out of their collective savings,

- f. The creation of mass enlightenment and inculcation of democratic principles and practices through membership education and cooperative management. Every registered society maintains democratic methods of decision-making,
- g. The creation of many cooperative apex bodies such as Cooperative Federation of Nigeria (CFN), Cooperative Finance Agencies (CFAs), National Association of Cooperative Credit Unions of Nigeria (NACCUN), State Cooperative Federations through voluntary coalescing of societies to form unions and unions to form the apexes. There is the National Cooperative Insurance Society of Nigeria (NCIS), the Kaduna Federation of Milk Producers Cooperative Association Ltd (KFMPCA). All of these unions and apexes are important forces to reckon with in the Nigerian private sector economic activities. They strengthen the Cooperative Movement, making it a distinctive alternative method of doing business in the country,
- h. The linkages with the government, the non-governmental organisations, further strengthen the cooperatives and assist them in fulfilling their objectives of creating economic opportunities for their members and helping to lift the poor out of their poverty. In appreciation of the great potentials of cooperatives, the Federal Government of Nigeria created a Ministry of Cooperatives and Supply in the mid 1970s though it later discontinued the ministry.

2. THE CONSTRAINTS AND OPPORTUNITIES OF THE COOPERATIVE SECTOR

2.1 Organisational Problems

- a. The cooperative sector suffered from internal weaknesses, which were due to the chequered history of its performance and effectiveness. There were differences in the formation of the societies at the former regional levels. For example, the former Western Region had, in addition to the primary societies and unions several apex organisations such as the Association of

Nigeria Cooperative Exporters (ANCE), the Cooperative Transport Ltd, the Cooperative Press Ltd, the Nigerian Cooperative Wholesale Association (NCWA), several of which attempted to metamorphose into national apexes.

Such groupings were not found in the other regions. But they demonstrate potential opportunities for strengthening the movement through voluntary association of lower level societies and unions to give new associations with stronger voice to negotiate businesses with other private sector enterprises and governments at the state, national and international levels. The grassroots cooperators, the true owners of the apex bodies would benefit enormously through such effective representation at high levels. A good example of positive gain from these cooperation of cooperatives is the Nigerian National Cooperative Insurance Society which is a formidable avenue for cooperative financing. The premium gathered from millions of insured cooperators throughout the Federation would become the invested basis for funding cooperative claims and credit activities.

- b. The second constraint is due to the smallness of primary societies, which have few members and contribute very little in share capital and savings. Such small accumulated capital is too small for executing meaningful, viable business. Many primary societies could competently take advantage of economics of scale. But renewed efforts to educate the members and build their capacities should lead to the formation of optimally sized societies which would carry out viable business throughout the country.

As groups voluntarily come together due to proper enlightenment carried out by the movement, they will be better placed to attain greater economic cooperation and fulfil the movement's objectives.

- c. In the past, the attempts to encourage the small societies to form unions sometimes failed because the felt needs of several societies did not coincide. In particular, in the Northern Region, fewer primary societies existed within a local government and government officials tried to help by bringing all societies under a small union at the LGA level. A union formed in this way tended to bring together strange groups whose needs were at variance and/or in conflict. There are great potentials for the formation of many more so cities with similar, if not the same, objectives in that region.

Thus there will be sufficient number of primary societies, which can then unite to form unions that cater for their own interest.

- d. Beyond the primary societies and unions there is a plethora of apex organisations, which do not handle sufficient volumes of business to remain viable. While the Cooperative bank, the Nigerian Association of Cooperative Exporters (ANCE) and a few others could stand profitably on their own, the

Cooperative Federation of Nigeria and its state affiliates as well as several other apexes appear to depend heavily on subscriptions or grants, which, if denied, lead to poor performances, hence their viability is questionable. In future, such apexes would need to justify their existence by meeting the felt needs of their grassroots members who will then feel obliged to support them financially and to patronize them. The era of imposed top-down "cooperative" apex bodies should be done away with if the Movement is to become truly independent and viable.

- e. The cooperative sector has not sufficiently attracted government and donor support due to its lack of capacity to bring under its fold a substantial number of small-scale producers of goods and services. It does not presently appear to have the legal guarantees for the pursuit of development goals with the formal and other private sectors of the economy. This obstacle should be removed through the current policy formulation effort. The ultimate goal is to see that the Movement is treated in no less equal terms than any other public and private enterprise in the Nigerian economy.
- f. The cooperative movement has not clearly demonstrated the capacity to canvass, sensitise, mobilize and organise producers into viable cooperative groups because of its weak financial and operational support base. This policy document proposes to create the necessary enabling environment, and a dynamic financing arrangement for the cooperative sector such that it can function properly and independently. A Cooperative Development Fund that will have substantial reserves and guarantee loans to cooperators at competitive interest rates will be established and managed by the movement and other stakeholders.

2.2 Institutional Linkage Problems

a. Within the Sector

- i. Linkages between any two institutions are expected to strengthen both. As described earlier, the primary societies are linked to form unions while unions link up to form state apexes or federations of unions. The Cooperative Federation of Nigeria (CFN) is regarded as the ultimate apex as it links all state Federations together. Unfortunately, the linkages as they stand presently are weak because cases are common where primary societies default in their obligations to their unions and unions in turn fail to fulfil their responsibilities to the apexes. A glaring example is the National Association of Cooperative Credit Unions of Nigeria (NACCUN) to which member unions are reluctant to pay their annual subscriptions.

Thus the unions remain financially strong while their apex (NACCUN) remains starved of funds and incapacitated. The Unions accuse NACCUN of ineffectiveness, irrelevance and lacking in national outlook in its composition, whereas they did not provide enabling subscriptions to make NACCUN national and viable. Yet NACCUN was reported to have played vital roles in the education and mobilization of cooperative thrift and credit societies and to receive its dues from member unions, it must stay relevant to and serve the felt needs of the unions and societies like NACCUN should return to the drawing board.

- ii. Similar problems exist with the CFN to which only a few affiliated State Cooperative Federation pay their annual subscriptions, yet all state apexes are demanding greater impact from CFN,
 - iii. The problems of weak linkages within the movement have been traced to the failure of various apexes to ensure that they took proper care of the felt needs of their affiliated societies or unions. No society would contribute funds to its apex or union if it could not expect some economic returns.
- b. **Between the Cooperative and other Types of Enterprises in the Private Sector**
- i. There is almost no formal linkage between the cooperatives and other businesses in the private sector. This is, to some extent, understandable in view of mutual suspicion among them. Yet there are many advantages and opportunities for collaboration between the two. The success stories of the Nigerian Tobacco Company's (NTC) out-grower scheme where farmers were organised into groups for input delivery and sale of cured tobacco leaves have been told. The same is true of African Cotton Company (AFCOT) in Adamawa where credit and inputs (fertilizer, farm implements) are provided for the farms at predetermined prices while the cotton is sold to AFCOT.
 - ii. So far there are no stories of linkage of cooperative consumer groups with textile manufacturers or soft drink producers that could lead to collaboration and mutual gains. The creation of sales depots to be managed by cooperatives to serve their members would bring mutual benefits. Such positive links should be encouraged.
 - iii. Apart from government sponsored linkage with banks through guaranteed agricultural credit in which more individuals than cooperative groups participate, there have been very few initiatives in the area of linkage of the vibrant cooperative thrift/saving and credit with the banking industry.

The failure of the Cooperative Movement to explore these linkages with the private sector in the past has contributed to its weakness and unsatisfactory performance. The cooperatives should henceforth be free to do business with any other group. They should be able to sue and be sued where necessary.

c. Between Cooperative and Governmental Institutions

- i. The historical development of the Nigerian cooperative sector necessarily linked it up closely with the Federal and State Governments. The movement was supervised and is still being supervised by a department within a Ministry at both levels of government. Unfortunately, the linkage has been mainly legal and patronizing with government dictating the *modus operandi* without much commercial linkage despite the fact that in Nigeria, government business is big business.
- ii. It is uncommon these days to find government activities channelled through the cooperatives. For example, fertilizer distribution, credit delivery, produce procurement and marketing, take place without any advantage to the Cooperative Movement. Rather private contractors bid for and execute many of the very lucrative businesses on behalf of governments at Federal and State levels. In future, the cooperatives should be able to participate in these activities through competitive bidding.
- iii. There are linkages through subventions and grants or assistance in meeting international obligations. Unfortunately these are irregular and not made mandatory and the Cooperative Movement suffers when it depends too heavily on them.
- iv. Government funding for provision of infrastructures are commendable. The staff of the Federal and State Cooperative Departments are paid by governments. Unfortunately these forms of assistance tend to increase the dependency of cooperators on government and hence their inability or unwillingness to take initiatives to generate resources for their own programmes and projects. An independent cooperative movement is called upon to plan its own membership education and capacity building in the future. If government assistance is given if should be taken but should not be the only means of operation.

2.3 Financial Problems

- a. The financial problems of cooperatives arise from several angles. The organisational problems earlier highlighted imply that the individual groups, being too small, could not assemble substantial funds for their

- businesses. The thrift and credit societies run into problems of too little funds and inability to meet the credit needs of their members.
- b. One major problem is the lack of capacity to manage efficiently the savings and credit programmes leading to frustrations and complaints against management. There are many cases of mismanagement and fraud limiting the number of potential participants in cooperative financing. Where the government has provided additional money to increase loanable funds, the national cake syndrome has led to poor repayment or outright embezzlement.
 - c. The traditional systems which have close membership and cohesion, have succeeded, but have remained small in terms of volume and coverage. However, wherever purposeful management was combined with transparent honesty, cooperative financing has succeeded. The success stories of Bauchi and Gombe Cooperative Financing Agencies remain useful as a lesson for future planning of Cooperative Financing. The laissez-faire attitude of the old Western Region following the grant of two million Naira for the establishment of a cooperative bank is also note worthy.

2.4 Socio-Cultural Problems

- a. Although international cooperative principles abhor discrimination among cooperators, there are socio-cultural factors that tend to bring together people of ethnic, religious and other affinities to cooperate more effectively because of mutual trust. This may limit the spread and strength of local societies. In fact, it is not uncommon to notice cooperatives waxing strong among town union members living in another state or town. Cultural peculiarities, migration and settlement patterns may predispose certain groups to adopt cooperative-like institutions more than others. People living within large communities in the country tend to evolve mutual help group organised on ethnic basis. These are not cooperatives in the sense of international definitions.
- b. At the national levels, progress has been stalled by regional and state groups accusing the leadership of neglect or lack of sensitivity to their peculiar needs. There have been tendencies to retain historical positions rather than allow the movement to go truly national. These problems must be addressed so that the movement can achieve its developmental objectives.

- c. The nature and history of cooperative development in Nigeria has largely accounted for the regional variations in the levels of cooperative development in different parts of the country. For example, the former Western Region has more cooperative institutions than other parts of the country because the first nationalist government in that region paid greater attention to cooperatives.

3. THE IMPERATIVES AND OBJECTIVES OF NATIONAL COOPERATIVE POLICY

Nigeria is presently striving to build a strong and highly competitive, market-oriented and technology-driven national economy. In such an open and caring economy, popular participation in economic affairs is necessary. But given the very low capital base of the generality of the people, government recognizes the importance of viable cooperatives, as one of the vehicles for economic empowerment and popular participation. Hence it is the policy of the government to build an enduring partnership with the Cooperative Movement for the realization of our common national economic development objectives. In the process of economic policy design and implementation, government shall take full cognisance of the importance of the cooperative sector and the strategic role it plays in the social and economic affairs of the nation. Therefore the objectives of government's cooperative policy are:

- a. Assisting Nigerians in building very strong, autonomous, operationally independent and economically viable cooperative sector that could compete effectively in the private sector of the nation's economy,
- b. Ensuring that all cooperatives operate according to the law without compromising the legitimate interests of third parties and the general public,
- c. Removing all obstacles that hinder the free and effective operation of cooperative groups and their participation in national economic affairs,
- d. Promoting cooperative-friendly fiscal and monetary policies and creating a conducive environment for the survival and prosperity of cooperative enterprises,
- e. Encouraging the development of cooperatives throughout the country by accelerating the move for in mobilizing, organising and educating Nigerians on cooperative affairs,
- f. Ensuring that cooperatives are not treated on less than equal terms with other forms of private business,

4. THE ROLES OF GOVERNMENT AND THE COOPERATIVE MOVEMENT

a. The Role of Government

In the pursuance of the above policy objectives, the Government shall:-

- i. Recognise and respect the autonomy and operational independence of the cooperative sector.
- ii. Ensuring more effective cooperative education and regulation of cooperative affairs in the country by providing financial and material support to the Federal Department of Cooperatives and encouraging all State and Local Governments to do the same to similar units under their jurisdictions.
- iii. Establish a National Council On Cooperative Affairs which shall be the Government body charged with national responsibility for policy formulation, regulation, and policy implementation in order to advance and monitor cooperative development in the country. The council shall comprise the Minister in-charge of Cooperatives as Chairman, and all State Commissioners in-charge of cooperatives as members. All cooperative Stakeholders including National and International Organisations and non- Governmental Organisations (NGOs) may be invited to its meetings, as observers.
- iv. Ensure the establishment of the state equivalent of the National Council on Cooperative Affairs which shall facilitate bottom-up communication in the administration and management of cooperative matters.
- v. Establish a National Cooperative Advisory Board with advisory and liaison function between the Government and the Cooperative Movement. The Board is to ensure adequate rapport, understanding and cooperation between the government policy makers and regulators on the one hand and the Cooperative Movement on the other. Membership of the board should include:- Cooperative Movement, Chamber of Commerce (NACCIMA), National Employers Consultative Association (NECA), Federal Ministry of Finance, National Association for Cooperative Education and Cooperative Professionals, Federal Ministry of Agriculture, Federal Ministry of Commerce, Federal Ministry of Employment, Labour and Productivity and Federal Ministry of Women Affairs and Social Development and National Planning Commission. The Board is to sit regularly to advise the Government and the Cooperative Movement on all the major issues and problems of the Cooperative Sector.

- vi. Ensure the establishment of the state equivalent of the National Cooperative Advisory Board to facilitate proper execution of decisions taken at the National Level. Membership of the State Board shall include the Commissioner in charge of cooperative matters, state holders and a representative of the local governments.
- vii. Promote the creation of National Cooperative Development Fund and a National Cooperative Financing Agency to provide financial backing for the development of Cooperatives in the country. The Fund shall provide guarantee for on-lending to cooperatives in the country. The Fund shall be supported in the following manner:
 - * Annual subscription of all registered cooperative members in the country through their societies. The amount payable is to be determined from time-to-time by the Movement.
 - * Government and Private Sector Grants and Donations.
 - * External Grants and Donations.

The Fund is to be managed by a Board of Trustees drawn from the Cooperative Movement, and other relevant private sector people who have skills in investment portfolio and financial management.

- viii. Direct the National Planning Commission and the office of the National Economic Adviser to ensure that the cooperative sector and its legitimate interests are well reflected in the determination of national economic development policies, plans, and priorities.

b. **Expected Roles of the Cooperative Movement**

The Cooperative Movement, on its part would be expected to:-

- i. Ensure serious and articulated vigorous campaign strategies and programmes for the sensitisation and mobilization of the public to effectively participate in cooperative activities.
- ii. Ensure that all cooperatives registered under the law are effectively supervised and managed properly and are in compliance with the principles of the International Cooperative Alliance (ICA). They should demonstrate internal democracy, transparency, accountability and probity which are part of the recognized cooperative norms and ethics.
- iii. Ensure that the Cooperative sector, given its size and close linkages with the grassroots, provides one of the key institutional support bases for poverty eradication among the people. It should therefore strive to assist Cooperators to create jobs for themselves and others, in order to support the job creation and poverty alleviation programmes of the Government.

- iv. Develop the capacity of Cooperatives to undertake proper management of cooperative enterprises and businesses in accordance with modern business practices and techniques;
- v. Set up a Cooperative Investment Advisory Committee to guide societies, unions and apexes in making prudent and profitable investment decisions,
- vi. Ensure that all National Apexes are fully operational and are managed properly in accordance with cooperative tenets and principles and
- vii. Ensure that regular auditing of all cooperatives is carried out and the results presented for the information and consumption of all Cooperators and the general public.

5. COOPERATIVE FINANCING

5.1 Principles of Cooperative Financing

The long-term goal of cooperative financing is to establish a self-reliant financial system for the movement in the country. In principle, cooperatives are financed through:

- * Membership subscriptions and fees
- * Share capital contributions
- * Savings from individuals, societies, unions and apexes
- * Surpluses and reserves from successful business operations, etc

5.2 The Structure of Cooperative Financial System

- a. At the primary society level, every member must subscribe a minimum amount as share capital. A non-refundable entry fee is charged which each cooperator decides how much he/she will save regularly at stated intervals. Additional funds may be collected through fines imposed for infringement of cooperative by-laws, or fees charged for specific services. The by-law should spell out the details, which may vary from society to society.
- b. At the union level, every affiliated society subscribes a democratically determined amount while additional funds are generated through business transactions. The affiliated societies are expected to pass their business through the union so that the union makes profits, which accrue to the societies and partly to the union. This happens whether it is a product marketing or savings/credit operation.
- c. At the apex or Federal level, every union subscribes to the funds that are used for managing the body. It is important that the apexes help the unions to achieve their business objectives. Funds gathered through the

three tiers of cooperatives are accumulated to form a substantial base for cooperative financing.

5.3 Access to Finance through Cooperative Financial Institutions, Banks and Insurance

- a. Special cooperatives are set up to cater for the provision of financial intermediation. These include finance houses such as Cooperative Finance Association (CFAs) and banks which receive savings from cooperative societies and extend credit to needy individuals and societies charging moderate interest rates. Some banks have been established using the savings of the cooperative society members plus grants or subventions from government or other donor agents. The key to success is financial probity and good management.
- b. Cooperative Insurance is another good means of mobilizing funds for cooperative development. As millions of co-operators pay some premiums across the country, the amount of money accumulated will be very large. Such capital will form the basis of financing payments to those who incur losses and for loan operation in the Movement.
- c. Guarantee Fund the money mobilized by the cooperatives at all levels will be employed as guarantee for all loans to cooperative members and groups. Thrift/Saving and Credit Societies and Unions. This is the fastest growing type of cooperative in Nigeria because it closely follows the financial self-help tradition prevalent in all Nigerian communities. Thus large sums of money will be accumulated through proper organisation and management of thrift and saving societies. The harnessing of the fund would provide the strongest base for cooperative financing especially when it is linked with government's policies on micro-credit delivery in rural and urban areas of the country.

5.4 National Cooperative Development Fund

- a. A National Cooperative Development Fund (NCDF) shall be set up to provide a major source of cooperative financing. All co-operators shall subscribe to the fund, which will accumulate to form the basis for guaranteeing all cooperative credit transactions. With the fund in place, any society or union will be able to approach a bank or finance house for a loan using the fund as guarantor. In addition to co-operators' subscription, the fund's assets shall be increased through government grants, donor funds etc, as prescribed in section 4a(viii), above.

5.5 Grants and Donations

- a. Following a well planned and properly executed cooperative self-help financing by the Movement, it is expected that the government of the Federation would provide grants to the cooperative movement for the execution of its social services such as enlightenment, education, capacity building and credit administration.
- b. Private organisations which appreciate the contributions of cooperatives to the democratic governance, the peaceful coexistence and the improvements in the income, the welfare and living standards of large numbers of Nigerians should also be willing to make grants and donations towards the movement's activities. There could also be international assistance in various forms; for example, United Nations' institutions like the UNDP, ILO, WHO, FAO could provide assistance to the Movement in specific areas of need from time to time. In the past, they have contributed specialists to find solution to specific problems or to plan a new venture for the Movement.

5.6 Other Source of Funds

- a. Inter-cooperative flow of funds such as from thrift and credit societies/unions shall be encouraged. Well managed unions should collect the farm produce of member societies, process them further and sell these to make profit, part of which should be returned to the societies and members. In so doing, they will encourage greater production, help create more jobs and generally improve the economic welfare of cooperatives in particular and poorer Nigerians general.
 - b. The Cooperative Movement is well aware of the problems of capital flight. By design, the direct returns to subscribed capital are limited and ordinary investors are not enthusiastic to deposit large sums of money with cooperatives. Thus the Movement must encourage its members, societies, unions and apexes to mobilise funds internally and to manage such funds very efficiently.
- 5.7 Another source of cooperative export marketing is presented by the African Growth Opportunity Act (AGOA). The Nigerian Cooperative Movement should therefore take advantage of this AGOA and liase with the Federal Ministry of Commerce for the 34 exportable duty free goods from sub-Saharan countries to U.S.A.

6.0 ADMINISTRATION AND MANAGEMENT OF COOPERATIVE BUSINESS

6.1 Cooperative Business Management

- a. Due partly to the financial limitations discussed above and partly to the smallness of societies, it has been difficult for cooperative societies to employ competent managers for the proper management of their business. Hence the new cooperative policy is aimed at ensuring viable societies and unions through proper funding. The societies to be registered in future must demonstrate capacity to carry out profitable and sustainable business.
- b. Each society must have adequate number of members and present feasibility reports of viable business enterprises before being registered. The decision to liquidate a society must be based, in part, on its persistent unprofitability in spite of efforts by the management committee to improve its performance.
- c. Where necessary, assistance should be sought from higher levels such as union in the case of a society or the relevant apex in the case of a union. Problems militating against profitability and viability must be diagnosed and appropriate solution proffered.
- d. For the enforcement of an arbitration well-informed cooperative and legal practitioners would come to the membership of any arbitrate on panel area levels.

6.2 Cooperative Business Extension and Advisory Services

The CFN in collaboration with the State Federations should employ the services of consultants to provide extension and advisory services wherever and whenever the need should arise. Where such services are extended to small societies to strengthen their business, they will appreciate the relevance of the apex body and subscribe to its up-keeping. Future cooperative education should embrace relevant business management subjects.

6.3 Management System Development

The CFN and State Federations as well as all the societies, unions and special apexes that could afford it should hire competent professional managers to manage their affairs. Those societies and unions that cannot afford to hire professional managers should use the facilities of CFN and State Federations to train their member/managers, giving them the rudiments of the techniques of modern management. Cooperative Societies carrying out similar businesses

could share the time of a joint expert, with each society paying only a fraction of the charges.

6.4 External Audit

It is mandatory for all Cooperative apexes and Federations to appoint qualified External Auditors, while unions and societies that can afford it should also do so. Those unions and societies which cannot afford External Auditors should retrain the services of the State Cooperative Department or the State Federation of Auditors.

Appropriate audit fees should be paid as and when due by every audited society or union.

This will help maintain the audit unit. In order to ensure accountability and transparency, audit reports should be made available to members and, where feasible, published in National Newspapers.

7. TECHNICAL SUPPORT SERVICES AND CAPACITY BUILDING

7.1 Education Training Services

a. Formal Education

- i. Formal educational preparation for cooperative career is now being provided by the three National and State Cooperative Colleges and Polytechnics. A degree programme in cooperative studies exists at Enugu State University of Technology (ESUT). The government shall continue the current efforts underway to harmonise the curriculum and ensure its accreditation by the National Board for Technical Education (NBTE). This will enable the graduates to fit in with the nation's educational mainstream and facilitate the recognition of their certificates by employers outside Government and the Cooperative Movement. It will also help them get admission to the universities at home and abroad. In order to make this a reality, Government would provide better funding to its colleges to facilitate the upgrading of their infrastructural facilities, libraries, teaching equipment, workshops and computer services, and call on states with similar institutions to do so.
- ii. Government would, within available resources, sponsor students for training in cooperative affairs by awarding scholarships and bursaries tenable at home and abroad.

- iii. At the state level, co-operators should be trained by their respective state through awarding scholarships and bursaries to students and staff to attend courses in cooperative education should be included in the secondary school curriculum throughout the country.

b. Non-Formal Education and Short Term Training

- i. Government shall undertake, as part of its Universal Basic Education Programme (UBE) a literary drive in conjunction with the local Government, State Governments and the Cooperative Movement. This will ensure that all co-operators in Nigeria are literate within the shortest possible time.
- ii. The Cooperative Movement shall be supported by government to conduct regular training of cooperative management cadre to enable them refresh their knowledge of cooperative principles and acquire new management skills and techniques.
- iii. Government shall also support and fully equip the Cooperative Research Institute of Nigeria (CORIN) at Sheda, Abuja in order to enable it provide effective management training for cooperative leaders, managers and members.
- iv. Federal and State Government shall ensure that the staff of their Departments of Cooperatives are given opportunities to improve themselves by attending refresher courses and conferences locally and internationally. The governments shall explore bilateral and multilateral assistance from foreign governments, agencies and institutions for such purposes.
- v. At the state levels, respective State Government should assist the Cooperative Movement in training co-operators on basic literacy, book-keeping, secretarial work and simple management techniques.
- vi. In order to inculcate the cooperative spirit in our Youths, the Federal and State Governments should direct their Ministries of Education to promote the formation of Cooperative Clubs throughout the nation's secondary school system and the active assistance and support of the Cooperative Movement.

c. Training Fund

The mandatory reserve of 10% of the surplus funds for education shall be strictly adhered to and the fund regularly utilized for induction courses for officials and newly appointed cooperative workers in the State and Local Governments.

7.2 Management System Development

- a. The CFN and State Cooperative Federations as well as those societies, unions and apexes that can afford it, should hire competent professional managers to effectively manage their affairs.
- b. Those societies and unions that cannot afford to hire professional managers should utilize the opportunities provided by CFN and the Federations to train their members and managers giving them the rudiments of the techniques of modern management.

8.0 COOPERATIVE ORGANISATIONAL STRUCTURE

Cooperatives are usually organised in a four tier structure. There are primary (societies), secondary (unions), state and national apexes. In Nigeria each state has a Federation while a Federation of Federations forms the culminating apex. It is called Cooperative Federation of Nigeria (CFN).

8.1 Societies

- a. The organisation of primary cooperatives into societies at village (rural) level and ward level (urban) is ideal as it permits people who live close to each other to participate in and patronize the society's business. In future, efforts must be made to ensure optimal membership sizes based on the types and functions of Cooperative Societies. This is important to ensure viability and sustainability.
- b. One important approach to establishing optimal membership size is to encourage voluntary coalescing of small sized societies doing the same type of businesses within an area. This should be encouraged whenever and wherever feasible.
- c. Horizontal linkages between primary societies within and between local government and states should be encouraged for mutual benefits; for example, a grain producer cooperative in a northern state should be in touch with a grain processing/consuming society in a southern state. Both will gain from information exchange and price negotiations.

8.2 Union

- a. The advantages of having primary societies coming together to form unions are well known. However, future union formations should be voluntary among societies which carry out the same or similar businesses. They should come together voluntarily, not by force. It is hoped that cooperative development will proceed rapidly in all parts of the country

so that several unions of similar societies can replace the single union in each local government area. This will reduce friction and encourage cooperation among cooperatives.

- b. Cooperative unions should henceforth strive to be relevant and to fulfil the felt needs of the societies that make up such unions. The societies will then be encouraged to pay their subscriptions and stop agitation for direct affiliation to an apex (or Federation).
- c. In addition to revenues accruing to them from subscriptions by affiliated societies, Cooperative Unions must have profitable ventures to reduce dependency on the subscriptions.
- d. The unions must act firmly as mouth-piece for the societies that they represent. This will boost their relevance and ensure success.

8.3 Apexes

- a. In the context of the democratic space subsisting in the country, all apexes must be seen to be the outcome of the needs and wishes of members of cooperative societies and unions that form the apex.
- b. The CFN must operate in a way to earn the recognition and respect of all Cooperative apexes nation-wide so that they can make the prescribed subscriptions to its annually.
- c. All unions and other state "apexes" must be affiliated to the State Cooperative Federation. They must make prescribed subscriptions to the Federation and be represented on its Board. Where many unions are involved, a method of proportional (or rotational) representation must be worked out. State apexes must stay relevant to the grassroot societies which form them.
- d. The plethora of apexes at the national and state levels must be critically reviewed to remove the confusion and streamline them for effective administration. Only the relevant apexes which are likely to contribute positively to the overall cooperative development efforts should be retained. The CFN must set in motion the process of this review.

8.4 Placement of Cooperative Matters at Federal and State Level

Cooperative matters at National and State Levels should be upgraded and placed in full-fledged Ministry of Cooperatives and Rural Development to facilitate proper coordination and relationship among cooperatives at all levels.

9.1 SPECIFIC ECONOMIC SECTOR POLICIES

- a. Agriculture Cooperatives form the largest number of societies and membership in the country. Their needs for inputs and credit are enormous. They require proper management in produce processing and marketing. Also, since agricultural production takes place mainly in rural areas and it is well known that the poorest of the poor in Nigeria live in rural areas, special efforts must be made to assist agricultural cooperatives to uplift the standard of living of their members and the rural populace in general. This should be with a view to increasing agricultural productivity and performance of agro-allied enterprises.
- b. *The strategies for achieving the objectives are:-*
 - i. The intensification of agricultural cooperative education and training, public enlightenment at all levels to ensure increased participation and involvement of farmers and other rural people in cooperative activities, thus enhancing rural people's decision making and upgrading their welfare generally.
 - ii. The use of farmers cooperatives to achieve increased production of food, fibre and other industrial raw materials plus equitable distribution of inputs, farm produce and other commodities.
 - iii. The use of agricultural cooperative to increase the democratisation of local communities through participation in cooperative activities to promote social understanding and political unity among the people.
 - iv. To manage inputs procurement and distribution effectively, zonal agricultural cooperative committees shall be formed to collate and summarise the requirements for inputs like fertilizers, herbicides, pesticides, farm implement etc. and submit these to a national coordinating committee. When the needs of all farmer co-operators are known, arrangement shall be made for sourcing while co-operators make deposits of part of the cost of their ordered inputs. Lines of credit can then be opened by the apex bodies responsible (CFN, NACMO etc). The inputs shall be promptly distributed on arrival.
 - v. The input procurement activities shall be regularly reviewed to remove bottlenecks and ensure efficiency while pricing is made competitive
 - vi. Cooperative credit unions shall direct a portion of their accumulated saving towards lending to farmers and, like the successful CFAs, they shall collect and market produce to ease repayment of loan wherever feasible; and
 - vii. Input and produce storage and handling depots shall be provided in strategic locations within states throughout the country to give farmers

easy access to farm inputs and outlets for their produce. The CFN and State Cooperative Federations should constantly advise governments accordingly.

9.2 Industrial Sector

Several types of Cooperative initiatives could be viable in the industrial sector, as follows:

- a. Workers in the industrial sector often form cooperatives which mainly focus on their welfare and other felt needs of their members. They therefore, develop thrift and credit, credit and investment, consumers and housing cooperatives. The strategy for their growth and effective management include:
 - i. Organising check-off savings and ensuring that deducted monies are promptly remitted to the cooperative account;
 - ii. Negotiating for the supply of consumer items desired by their members for resale at reasonable prices;
 - iii. Planning for housing estate by acquiring land and laying it out for members to purchase and build, or erecting standard affordable housing units for members to acquire on owner-occupier basis;
- b. Cooperatives could set up cottage industries, agro allied industries, producing relevant goods for the public. The ownership management and operation of such industrial ventures shall be by the Cooperators themselves and/or their employees;
- c. Workers' Cooperatives in industry, either manufacturing or services, could use their savings to buy shares in the companies in which they work. By becoming partners, they enhance overall industrial harmony and productivity;
- d. Cooperative Societies in the industrial sector, whatever their business or enterprise orientation, could amalgamate to form unions and unions into apexes to strengthen their financial base and enhance their competitive edge provided that it is the expressed wish of their members.

9.3 Commercial Sector

- a. The opportunities for mutual gain from interactions are greatest in commercial sector cooperatives. Producers can link up with processors who in turn can link up with distributors through marketing cooperatives. If the linkages work well, the general price levels will fall considerably

thus reducing inflation. The result is that all citizens, including non-co-operators would benefit.

- b. As a strategy for managing commercial sector cooperatives, funds for holding stock of consumer and producer goods should be sourced from cooperative thrift and credit or thrift and investment societies. Promptness is critical for commercial loans since transactions sometimes take place within a few hours or days and the creditor can quickly recover his/her money. Checks and balances need to be made to avoid bad debts.

9.4 Finance Sector

- a. A lot of money is very quickly assembled through the share capital and savings contributions of thousands of cooperative society members. It is therefore expected that such monies would form the basis of participation of the cooperative movement in the finance and banking sector.
- b. To facilitate this arrangement, cooperative societies, unions and apexes shall use part of their accumulated funds to purchase shares in banking and insurance operations. At the primary (Societies) levels, cooperatives should become more active in setting up, owning and managing Community Banks. At higher levels, (Unions, Apexes) Cooperatives should aim at holding sufficient share in banks/insurance companies of their choice to be able to influence their decisions and make them cooperative friendly. All substantial cooperative deposits in banks should be issued.
- c. To ensure prudent investment decision making, all cooperative societies, unions and apexes should employ the services of the proposed Cooperative Investment Advisory Committee [4b(v)above).

9.5 Services Sector

- a. The providers of services such as barbers, tailors, carpenters, motor mechanics, irrigation equipment maintenance artisans, mechanics of electronic equipment etc would do well if they operate as cooperatives. They can improve equality of their services and remove malpractices among their members. They can use available training facilities to upgrade their managerial skills and performance.
- b. All artisans and service providers who live and work within the same locality shall be mobilized and encouraged to form cooperatives with a major objective of raising the quality of their services and service delivery. The derived objective would be increased confidence of consumers of their services and therefore increase patronage.

10.0 STRATEGIES FOR GENDER AND OTHER SPECIAL GROUPS

10.1 In its determination to alleviate poverty and up-lift the living conditions of all, Nigerians Government intends to cast a social and economic safety net to cover all segments of society irrespective of socio-cultural (gender) or physical disabilities. In this regard, the government.

- a. Recognises and appreciates the front-line role that women and women organizations play in the social and economic affairs of the nation, despite the prevailing socio-cultural discrimination against them.
- b. Firmly believes that physical disability should not be a deterrent to the capacity of any Nigerian to contribute to the process of national renewal and development.
- c. Is aware of the presence of social underclass made up largely of unemployed and disadvantaged youths in both urban and rural areas, whose activities if not checked could undermine the peace and security of our communities. Punitive and coercive measure alone have proved ineffective in dealing with this rural and urban menace. The cooperative strategy should be used as one of the means of addressing the issues raised above.

10.2 Gender Issues

The cooperative movement shall be supported through the Federal Ministry of Women Affairs and Youth Development to further promote the organisation of women cooperative groups, in addition to those registered under Better Life Programme (BLP), Family Support Programme(FSP) and FEAP, Programmes of the Government The cooperative movement should facilitate the integration of Women into mainstream cooperative activities from the lowest to the highest level through affirmative action by making it mandatory for cooperative bye-laws to reserve some key leadership positions to be contested exclusively by women. All legislation that is gender discriminatory in both state and national cooperative laws and statutes would be repealed.

10.3 The Disabled

The cooperative movement shall be supported, through the appropriate Federal Ministry to organise physical disabled people into cooperatives. These cooperatives would be supported, through education and skill development, to establish cottage industries and enterprises as appropriate to each type and level of disability. The cooperative movement and the Government (both

State and Federal) will be responsible for the sourcing of both local and foreign markets for their products.

10.4 Unemployed and Disadvantaged Youths

- a. The cooperative movement would be supported through the appropriate Federal Ministry of Employment, Labour and Productivity, and other appropriate ministry to mobilize, train, organise and register youths into cooperative groups.
- b. Such cooperatives would be supported to pursue appropriate business enterprises or, operate as labour cooperatives that could be utilized in labour intensive civil works. Their groups should be well patronised.
- c. Government would as a matter of deliberate policy contract out labour-intensive public works to such cooperatives to the extent of their ability to deliver, effectively.
- d. Government would require private construction firms, as part of the contract bidding process to indicate cooperative sector sub-contractors for segments of the works they are bidding for. This would be considered in the determination of the final award.

11.0 COORDINATION, MONITORING, EVALUATION AND REVIEW

Given the far-reaching efforts made in this policy document to ensure the establishment of the enabling environment necessary for cooperative growth development and prosperity, it is incumbent on all implementing agencies to make sure that success is attained. To guard against failure, policy implementation must be coordinated (given the multiplicity of the institutions involved), closely monitored, evaluated and subjected to a review.

11.1 Coordination and Monitoring

- a. This policy document would be brought to the attention of all the three tiers of Government, Government Ministries, parastatals, and all other relevant institutions, international bodies, non-governmental organisations, etc. This is to ensure that its provisions are understood by all, free from any ambiguity.
- b. All institutions involved in the implementation of any aspect of this policy must know their specific roles, and are expected to adhere to them as appropriate.
- c. In this regard, the Federal Department of Cooperatives and the Cooperative Federation of Nigeria (CFN) are expected to play the leading role in

coordinating and monitoring the implementation of this policy, nationwide. At the states' level, the State Department of Cooperatives and its Cooperative Federation are expected to do the same.

- d. Furthermore, it is expected that the National Council for Cooperative Affairs [see 4a (iv) above] meets at least once every year. A meeting of officials should take place for two days preceding the main plenary sessions with State Commissioners under the Chairmanship of the Minister in-charge of Cooperatives. Each state is expected to present a report on cooperative affairs under its jurisdiction, indicating areas of success or failure. On the basis of this council would be able to reach collective decisions in order to ameliorate observed defects and constraints.

11.2 Evaluation and Review

- a. It is expected that at least once in every five years, an evaluation of the impact of this policy is undertaken under the auspices of the joint efforts of the Federal Department of Cooperatives (FDC) and the Cooperative Federation of Nigeria (CFN). This should provide the necessary information that could lead to the review of the policy, (whether and whenever necessary) to ensure greater impact and success.
- b. In order to ensure the integrity of the evaluation exercise, the FDC and the CFN should appoint independent, experienced cooperative consultants to undertake the exercise. These consultants should include professionals from the International Cooperative Alliance (ICA), International Labour Organisation (ILO) and the United Nation's Development Programme (UNDP).