

**THE ECONOMIC IMPACT OF COOPERATIVES IN SOMALIA:
KEY ECONOMIC ISSUES AND POTENTIAL FOR DEVELOPMENT**

Report

THE ECONOMIC IMPACT OF COOPERATIVES IN SOMALIA: KEY ECONOMIC ISSUES AND POTENTIAL FOR DEVELOPMENT

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Abstract

This paper evaluates the economic impact of pre-conflict cooperatives in Somalia, draw lessons from their failures and successes and generate evidence to inform strategic action and policy aimed at leveraging their potential for development in the country's rebuilding process. The objectives of the study were to find out the role of cooperatives in economic development in pre-conflict Somalia, to evaluate cooperatives in relation to improved livelihoods for the Somali population, to investigate the influence of Somali cooperatives on commodity market prices and consumer purchasing power and to analyse the significance of cooperatives in the state rebuilding process and sustainable development in Somalia. Since there is generally limited secondary data on Somali cooperatives, this paper employed qualitative research methods to provide an advanced understanding of the economic benefits of Somali cooperatives. Findings of the research revealed that pre-conflict cooperatives contributed, albeit in meagre way, to economic growth as they were able to create employment and secure the rights of workers. However, they also had shortcomings including lack of transparency in leadership, corruption and reduced government support which affected their stability. The study established the need for increased awareness creation on cooperatives, establishment of an enabling legal framework on cooperatives, institutionalization of a supportive infrastructure including capitalization and financing, ensuring cooperatives are formed by individuals who voluntarily come together to address a common need, putting in place a strong Cooperative Management Development Strategy, lobbying for government support and adhere to principles that uphold transparency, accountability and efficiency.

Key Words: cooperative development, cooperative management strategy, social capital, value-based, economic policy, smallholders.

Introduction

1.1. Background information

According to the International Cooperative Alliance (ICA) a cooperative is an “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (Cinneide, 2004). It is a business voluntarily owned and controlled by its member patrons and operated for them and by them. Cooperative societies date back to the year 1844 when the Rochdale pioneers of England formed the first cooperative comprising of twenty-eight men involved in weaving and providing skilled labour. This cooperative was formed for the purpose of improving the livelihoods of workers and protecting their interests with the ultimate objective of establishing a self-sufficient economic community on the land encompassing all economic social and cultural activities in self-governing communities (Webb, 1902).

According to Majee & Hoyt (2011), organizing in cooperatives has been largely an economic and community building movement. Though cooperatives cannot provide the whole answer to global poverty

and economic justice, they certainly are part of the answer. Cooperatives have the capability to contribute positively to development goals including generating income and increasing the bargaining power of members. It is through meeting the needs of their members that cooperatives enhance incomes and secure livelihoods of communities. Around the world, cooperatives continue to play a crucial role in helping people organize themselves and create better conditions for workers and small business. They are also able to disperse groups to compete more favourably against larger industry players such as major corporations (Davis, 1999). Well, cooperatives are not charities, but they provide a platform for democratic associations led by ‘servant leaders’ to make a difference in their communities through collective self-help. Co-operative Managers must be recruited and developed to be a source of *Co-operative Value-Based Leadership* in their Associations and their communities. (Davis, 2018)

In developing countries, like Somalia, where capital shortage is the principle stumbling block, particularly for the rural poor,

cooperatives can play a leading role in the socio-economic development process through a way of resource pooling and mobilisation of the people's labour to generate economic value-added and social capital.

(Davis, 2000) Therefore, cooperatives can play very important and indispensable roles in promoting a market-oriented economy, developing rural communities and protecting the economic interests of farmers (Swift, 1977). Cooperatives can be instruments for the introduction of modern technologies, efficient use of resources, increasing incomes and improving the living conditions of the participants. Their principles of open but voluntary membership under democratic governance can help to build social solidarity and a democratic civil society. Cooperatives offer numerous benefits for its members including prospects that smallholders could not achieve individually like negotiating for better market opportunities. Co-operators are empowered by being a part of a larger group where they can negotiate for better terms, reduce the cost of farm inputs while demanding higher prices for their products (Pollet, 2009). Through cooperatives, there is an increased opportunity for communities to reduce hunger and poverty by enabling the

farmer to firstly benefit from increased market leverage and to follow-up with opportunities to move the cooperatives economic activities up the value (supply) chain to gain the benefits of higher yielding value in the process of moving from crop to supermarket shelf (Davis, 2000).

1.2. Statement of the problem

In his book *From Bad Policy to Chaos in Somalia*, Mubarak (1996) states that the governmental economic policy, policy responses to crises and exogenous shocks have affected the country's long-term economic growth. Consequently, the recovery journey of Somalia after decades of instability and failed state functions has been quite slow. This can be attributed to the strain from an inadequate labour force, high unemployment rates that lead disillusioned youth to join illegal groups that propagate terrorism activities which destabilize the economy. The public sector stepped up to fill the void that was as a result of the collapse of public institutions after the civil war erupted in 1990. Issues of economic development, provision of energy, water, education, medical care and providing employment opportunities are just but a few of the primary responsibilities the private sector has had to shoulder. Moreover, the private sector has extended its role to

areas that should exclusively be under public authorities including the judicial functions, security, collecting of taxes and printing of currency. According to Woolcock & Narayan (2000), an economy based on one form of business organization alone is neither desirable nor possible in modern times. The overreliance on one sector for provision of essential services, employment opportunities and streamlining economic stability has a direct effect on the country's slow recovery process. Therefore, there is need to have a mixed economy with a diversified pool of stakeholders as it is most suitable for the attainment of a good economic order.

1.3. Justification of the study

Central to any co-operative development strategy is their very nature as being a people centred business concerned to mobilise the poor in the cause of their own development while developing human capital. A co-operative value-based management and leadership are essential for their success as they are businesses whose form of economic development facilitates peaceful social transformation. Studies indicate that cooperatives can play a significant role in the socio-economic development process of developing countries through resource pooling where capital shortage is the major shortcoming (Swift, 1977).

Based on the ICA identity statement of 1995, through their principles of community, education and cooperation between cooperatives these associations can mobilise young people and give them alternative routes to employment and a different vision of society and culture. When cooperatives use capital, labour and other inputs to create and sell a product or service, they create economic activity. In this sense, cooperatives solve the general economic problem of under and over production, business uncertainties and excessive costs. They also address market failures and fill gaps that private businesses would otherwise not. When leveraged, cooperatives could stabilize communities and, distribute, recycle and multiply local expertise and capital within a community. However, there is need to create awareness through information gathering and sharing on the potential cooperatives has in strengthening economies. Cooperatives in Somalia are mainly under reported, often at the detriment of the country's development and hastened recovery process. This study aims to fill this data gap by making recent information on pre and post cooperatives available and accessible to stakeholders. This will enhance decision making processes by policymakers, practitioners and development agencies

as they will be based on evidence. Findings of the study will inform strategic development initiatives on the importance of leveraging the potential of cooperatives for strengthening economic stability of Somalia. Moreover, this study will generate evidence that will inform the development of the 9th National Development Plan (NDP) for 2020-2014, even as it seeks to incorporate the contribution of cooperatives. With increased knowledge of cooperatives, stakeholders including policymakers, practitioners and development agencies will be more deliberate in recognizing and taking advantage of the importance of cooperatives to the economic stability of Somalia.

1.4. Objectives

1.4.1. Overall objective

The aim of this study is to evaluate the economic impact of cooperatives in Somalia and their potential for development in the country's rebuilding process.

1.4.2. Specific Objectives

- 1) To find out the role of cooperatives in economic development in pre-conflict Somalia;
- 2) To evaluate cooperatives in relation to improved livelihoods for the Somali population;

- 3) To investigate the influence of Somali cooperatives on commodity market prices and consumer purchasing power;
- 4) To analyse the significance of cooperatives in the state's own rebuilding process, that of civil society and overall sustainability for economic development of Somalia.

1.5. Research questions

- 1) What was the role of cooperatives in economic development in pre conflict Somalia?
- 2) What is the relationship between cooperatives and improved livelihoods for the Somali population?
- 3) What influence do Somali cooperatives have on commodity market prices and consumer purchasing power?
- 4) What is the significance of cooperatives in the state's own rebuilding process, that of civil society and overall sustainability for economic development of Somalia?

Literature review

2.1. Cooperatives and economic development

Ideally, cooperatives are suitable for economic development as they are groups that are community based, rooted in democracy, flexible and have

participatory involvement (Zeuli, K. A., & Radel, J. 2005). The process of developing and sustaining a cooperative involves developing and promoting community spirit, identity, management skill, integrity in leadership and social organisation. This is in realization that cooperatives can play an increasingly important role in poverty reduction, facilitating job creation, economic growth and social development

Cooperatives are viewed as important tools for improving the living and working conditions of both women and men. A sense of ownership by co-operators who manage

the cooperatives guarantee balanced decision making; taking into consideration both profitability and welfare of members (Reynolds, 1997).

As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection.

Moreover, most of the additional income farmers get through cooperatives is spent with hometown firms for goods and services. Hence, cooperatives accord members opportunity, protection and empowerment - essential elements in uplifting them from degradation and poverty. As governments around the

world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members and keep markets efficient (Sexton, 1986).

An effective political strategy that former Tanzanian president Julius Nyerere used was public confessions whenever he made mistakes. In the mid-1980s, he made an announcement stating the two things he would not have done if he were to start again were to abolish local government and disband cooperatives. He termed these two as useful instruments of participation (Eckert, 2007). Also, according to Sizya (2001), cooperatives have been the kingpins of development interventions aiming to alleviate poverty of the small holder farmers in the rural areas of Tanzania.

Cooperatives strengthen rural communities as they provide services and stimulate cash flow circulation in marginalized areas. Often, small towns are served by businesses that are cooperative owned without which the people would have to go elsewhere for goods and services. In addition, it has been noted that participating in cooperatives often encourages participation in other community projects and in national and subnational governments. Cooperatives often

provide funds for community fairs, health centres and fund drives. As they grow, it is possible they could develop investment funds to develop other co-operative employment opportunities. An interesting example of this is Industrial Common Ownership Finance Ltd a co-operative venture capital off-shoot of the UKs Industrial Common Ownership Movement (ICOM). Another example on a much larger scale is The Mondragon Co-operative Bank and Technical Training and University educational provision for the Basques established in the northern region of Spain (Sanchez Bajo and Roelants, Bruno, 2011). In Kenya, the Co-operative Bank of Kenya and Co-operative University of Kenya depict a story of success and showcases the potential of well-organized and supported cooperative movements. As a result of working together in cooperatives, members better understand how to unite in solving community problems. Moreover, leaders developed in cooperatives also become leaders in other community organizations.

2.2. Cooperatives and improved livelihoods

One of the biggest challenges that nations in the developing world face is finding successful solutions to the

problem of poverty by improving the human development condition and livelihoods (Gunga, 2013). In several ways, cooperatives play an important role in global and national economic and social development. With regard to economic and social development, cooperatives promote the “fullest participation of all people” and facilitate a more equitable distribution of the benefits of globalization (Getnet & Anullo, 2012). They contribute to sustainable human development and have an important role to play in combating social exclusion. In addition to the direct benefits they provide to members, cooperatives strengthen the communities in which they operate. Cooperatives are significant tools that can be leveraged for the creation of decent jobs and mobilization of resources for income generation. Moreover, they contribute indirectly to development through taxes paid to local authorities of specific geographical locations in which they operate.

As stated by Kwapong & Korugyendo (2010), agricultural cooperatives in Uganda date back to 1913. They were introduced by the British Colonial administration in response to the disadvantageous terms of trade imposed on smallholder farmers by the middlemen who monopolized both

domestic and export markets for coffee and cotton (Rhodes, Rita, 2012) In such an economic context, forming a farmer's cooperative provided a mechanism for smallholders to collectively bargain for higher output prices, achieve higher margins through economies of scale and engage in value added activities.

Co-operators voluntarily organize to help themselves and avoid overreliance on the government. They can determine objectives, financing, operating policies, and methods of sharing the benefits. Through cooperatives, farmers can own and operate a user or service-oriented enterprise as contrasted to an investor- or dividend-oriented enterprise (Kumar, Wankhede & Gena, 2015). Ownership allows producers to determine services and operations that will maximize their own profits rather than profits for the cooperative itself.

According to Kumar, Wankhede & Gena (2015), cooperatives increase member income in a few ways including raising the general price level for products marketed or lowering the level for supplies purchased. Cooperatives, through economies of scale, reduce per-unit handling or processing costs by assembling large volumes. Moreover, cooperatives distribute to members' net savings made in handling, processing, and selling operations in addition to

upgrading the quality of supplies or farm products handled and developing new markets for products.

2.3. Cooperatives, commodity market prices and consumer purchasing power

Cooperatives enable farmers to own and control, on a democratic basis, business enterprises for procuring their supplies and services (inputs) and marketing their products (outputs). While some benefits of cooperatives are tangible and direct, others are indirect. Indirect benefits of cooperatives are evident through their effect on local prices for farm products, supplies, and services (Sahi & Yao, 1989). They inject competition into the system by providing services at subsidized cost to members, leading to pricing adjustments by other organizations thus impacting on market prices. Also, cooperatives reduce prices and margins temporarily during periods of drought or unusual price-cost squeeze to provide direct benefits on a seasonal basis. Increased bargaining power through cooperatives may interject a countervailing force on any excessive margins being taken by other handlers of food products.

Through pooling products of specified grade or quality, many marketing cooperatives can meet the needs of

large-scale buyers better than individual farmers can. A number of cooperatives develop markets in other countries and their exports provide outlets for more production than members could otherwise sell. In many cases, cooperatives have expanded-or acted to retain markets by processing members' products into different forms or foods (Majee & Hoyt, 2011). Major cooperatives have been organized to preserve farmers' link to a market and to protect their production investment.

Cooperatives make important contributions in controlling production costs. Lowered production costs and marketing efficiencies brought about by cooperatives help hold down costs to consumers (Zeuli & Radel, 2005). This they achieve by eliminating transfer of ownership and some of the stages of marketing and by keeping marketing and processing costs per unit at minimum levels, cooperatives influence the performance and margins of other firms. Also, some benefits of these more efficient distribution systems accrue to consumers who get products on time and at an affordable rate.

Methodology

3.1. Theoretical framework

This study is based on the Woolcock and Narayan (2000) social capital framework

that defines social capital as the norms and networks that enable people to act collectively. It demonstrates the potential of cooperatives to move groups, rather than individuals, from getting by to getting ahead. Successful cooperative development, particularly in developing countries, suggests cooperatives simultaneously strengthen group ties (bonding social capital) and connect the group members with outside resources for their advancement (bridging social capital). In addition, because they are locally owned and controlled, cooperatives are place-based businesses that provide needed goods and services, assure employment opportunities for local people, give ownership of business to local residents and foster business and social interactions with other businesses, both inside and outside the community.

3.2. Sampling

A sample frame of stakeholders who are well knowledgeable about cooperatives in Somalia was developed from which respondents for the study were randomly selected. Key Informant Interviews (KII) and Focus Group Discussions (FGD) were utilized to collect primary data. 10 KIIs were conducted on purposively selected stakeholders with a vast body of knowledge on pre and post conflict cooperatives in Somalia.

One FGD was held in Mogadishu bringing together 11 participants drawn from co-operators, academicians and non-academic professionals, policy makers and civil society organisations.

3.3. Data collection

3.3.1. Key Informant Interviews (KIIs)

KIIs were conducted for key informants including representatives from the management committees of regional cooperatives and Somalia Union Cooperatives Movement known as UDHIS. These interviews were essential as they provided a platform for in depth qualitative exploration into the thinking, attitudes and perceptions of stakeholders. A total of ten interviews were conducted. Though the interviews were structured with an interview schedule to guide the process, flexibility and creativity was allowed during the interviews. Emerging issues from the respondents were factored in and this was incorporated into the questioning to drive for further probes and deep understanding.

3.3.2. Focus group

One FGD was conducted in Mogadishu bringing together people with experience and knowledge of the cooperatives in pre and post conflict Somalia in order to provide a deeper understanding into the

topical issues. Through the FGD, participants were given an opportunity to disagree agreeably through which more insights were drawn from the discussions. The FGD had a total of eleven participants who were guided through the discussion by a moderator.

3.4. Data processing and analysis

Qualitative data obtained from the FGDs was analysed using NVivo, documented thematically and presented in form of verbatim quotes.

Findings

4.1. Cooperatives and economic development in pre conflict Somalia

Somalia gained its independence in 1960 and the first nine years Somalia had democratic governments and open market economic system. In 1969, the military forces led by Siad Barre took over power in Somalia and the country adopted social economic system. Cooperatives in Somalia date back to the colonial era and when the country adopted a socialist economy, they became a key player in economic building. Prior to Siad Barre's regime, operations of cooperatives were guided by ministerial regulations and guidelines. However, during his tenure, Siad Barre accorded the cooperative movement support which saw cooperatives thrive. In

1973, Barre promulgated the Cooperative Law 40 which gave stipulations that were to guide cooperative functions. One of the provisions of the law was to have cooperatives registered under their relevant ministries, an endeavour that turned out successfully as an increase was recorded in the number of cooperatives that were registered as legal entities within the first few years.

The need to restructure cooperatives necessitated the formation of an apex organization for Somali cooperatives which was enacted under the Cooperative Law 40. This led to the birth of Somali Union of Cooperative Movement (UDHIS), the umbrella organization for cooperatives in Somalia. Cooperatives were organized into 6 sectors namely agriculture, fishery, livestock and forestry, small industries and handcrafts, transportation and construction, and consumer and service. However, cooperatives would still continue operating under the ministries until when Law 41 was enacted in October 1979. There was an evident conflict of interest between ministries and UDHIS over the control of resources belonging to the cooperatives. To resolve this issue, government passed Law No 9 in March 1980 which dismissed the control of ministries over cooperative

properties giving the power solely to UDHIS.

During Siad Barre's regime, primary cooperatives were linked directly with agencies that bought produce from them. In addition to linkages with external markets, storage of produce was another privilege that was accorded to cooperatives. Before the introduction of these storage facilities, farmers were required to sell all their produce within that market day or dig dipper into their pockets to pay for storage. However, this arrangement has suffered as government involvement in cooperative functions has greatly reduced. The government also facilitated for linkages between farmers and the Hajj market. Moreover, to ensure farmer produce was good and could attract good prices, the government ensured extension services were available and accessible to farmers.

This collaboration was not only one sided, rather it was reciprocal. Cooperatives paid taxes to the local governments in which they were operating from.

"Although co-operators are considered to be on the lower end of the economic scale, they are usually the first to pay taxes when they are properly organized and motivated. Somali cooperatives have

recorded success stories that have contributed positively to economic development.”

In the 1970s, Barre's government targeted to attain self-sufficiency by 1980 and this was to be achieved through strengthening agriculture cooperatives. One of the measures employed included providing a ready market by encouraging the cooperatives to sell their non-perishables to the government. However, the Ethiopia-Somali war that erupted in 1977 made government to miss the set target of attaining self-sufficiency. Although the prices given by government were not competitive, the co-operators benefited from other services made available to them by government including good schools, improved roads and, accessible and affordable healthcare.

Before the state collapse, cooperatives purchased and operated all the 101 petrol stations that were owned by Somali Petroleum Agency. This not only flexed the economic muscle of pre-conflict cooperatives but also availed job opportunities to thousands. Furthermore, the recognition by the then government of the ability of cooperatives to enable the country attain self-sufficiency clearly indicates the potential vested in cooperatives for the attainment of economic development.

4.2. Cooperatives for improved livelihoods

In pre-conflict Somalia, there were primary cooperatives each with a unique membership including agriculture, charcoal, hides and skins, pottery, pharmacies and fisheries. The role of these cooperatives was to negotiate on behalf of the members for better working conditions, improved market prices and subsidized inputs. Traders dealing with skins, hides, bones and hones also came together to form a cooperative. While bones and horns were sold in open markets, skins and hides were a reserve of the formal market. Government established a partnership with these cooperatives where it bought the graded skin at the market price and exported the skin to international markets. Skins were graded into classes A, B and C and prices varied based on class.

“A government agency named the Somali Leather Agency monopolized the marketing and export of raw hides and skins. The agency used to buy hides and skins from cooperatives. However, cooperatives were free to sell bones, horns and other products. Although people complain about the monopoly and prices, the quality of skins and hides as well as the hygiene were exceptionally good compared to the current situation.

Everywhere now is a slaughter place. Bones are everywhere.”

In the pre-colonial days, it was the preserve of the government to import drugs. Government and pharmaceutical cooperatives worked together by having the cooperatives purchase the medicines from government while government advertised the services of these cooperatives on national radio. This guaranteed the cooperatives of subsidized buying prices as well as a larger market base. Given that the cooperatives were functional on a 24-hour basis; this meant increased job opportunities for locals.

The fisheries cooperatives relied on government subsidies and linkages to external markets. The fish market is not huge in Somalia especially because Somalis are not a fish-eating community. Therefore, to ensure that fishing cooperatives do not become obsolete, the government issued a directive to have a two-day fish-eating day. In those two days, no other meat would be sold in the market except fish. This endeavour was however not successful as people ended up buying meat in excess a day prior to the curfew day. However, the fisheries cooperatives have withstood the test of time albeit in a rather slow market.

Thriving cooperatives in Somalia can be directly associated to increased food security, increased job opportunities which ultimately lead to improved livelihoods.

4.3. Economic influence of Somali cooperatives

The earliest document that mentions cooperatives is a letter dated in 1959 that talks about porters at Mogadishu port. Cooperatives have an economic gain for both the co-operators as well as the government. According to provisions of the cooperative laws, proceeds from cooperative earnings are to be shared according to the following percentages: 30% goes to savings, 20% remain as earnings for the cooperative, 7% for local administration, 8% goes to the region in which the respective cooperative is located, 15% goes to national cooperative federation and 20% goes to the umbrella organization for Somali cooperatives, UDHIS.

The expectation was to have UDHIS reinvest 40% of the proceeds, 20% for contingency, 15% for social improvement, and 25% for capacity development and funding projects whose budgets fell short. However, this only happened on paper since corruption incidences were reported as government

influence disrupted and interfered with the usage of finances at the UDHIS. Unmet expectations have influenced the stability of cooperatives in Somalia as trust in the ability of the cooperatives was distorted among members.

The economic stability of cooperatives was shaken when the government fell bankrupt towards the end of 1980s and consequently ended up borrowing money belonging to the populace in a bid to save the situation. The cooperatives were affected by the fact that their money in the bank was present theoretically but unavailable. Thoughts of putting up a bank by the cooperative were also prompted by the need to secure money for co-operators and escape interest rates accrued from bank loans. However, these plans were disrupted when the civil war erupted and are yet to take effect now that they are restructuring.

In 1980, the international community introduced the structural adjustment program in Somalia aimed at controlling inflation prices by the government. This move affected the formal markets as the prices significantly dropped thus making people to opt to trade in informal markets. The transition from formal to informal markets affected the economic strength of cooperatives as the elimination of subsidy drastically raised

the cost of production. Open markets meant cooperatives would no longer enjoy benefits in terms of linkages to both external and internal markets rather they would compete fairly with other businesses.

Increased bargaining power that comes with being a member of a cooperative assured them of increased markets and better prices.

"I lived in Dubai in 2014 and I saw Somali men import sesame and lemon from Somalia. These commodities would be sold to certain Arab individuals. However, instead of negotiating collectively, individual negotiations were employed. Therefore, the offer was always low compared to what they could have gotten had they acted as a cooperative. On the contrary, there were other individuals who dealt with importation of meat but had their operations centralized. They scheduled their imports, collectively agreed on market prices and had better management system."

4.4. Cooperatives for sustainable development

Cooperatives are not a new phenomenon in Somalia; they date back to the pre-colonial era. Somalis by nature have a cooperative culture because of the harsh climatic conditions they are

predisposed to. While herders work together to protect their livestock, farmers work together to safeguard and market their produce. Such cooperation builds resilience among the Somalis by enhancing collective power to tackle challenges in times of distress.

In comparison to other neighbouring countries, Somali cooperatives receive minimal government support. During the Siad Barre regime, the scenario was different as collaboration was evident between government and cooperatives. In addition to sourcing for markets and giving access to subsidized inputs, government allocated funds to cooperatives which enabled the cooperatives purchase assets like tractors, pay token salaries to members and build cooperative centres and grain store tanks. However, the Ogaden war of 1977 marked the end of government support which led to the collapse of many cooperatives by 1991. The reinstatement of a new dispensation of governance after the civil war does not change the scenario for cooperatives as the government remains adamant regarding its support to the cooperatives. The government applauded the inauguration of the current administration of UDHIS that officially came into office on 26th February 2017, but still maintained the stand that cooperatives need to compete

with the business community in the free economic system. The collapse of these cooperatives is an indication that the cooperatives were not self-sustaining.

“A blind man once said that the greatest enemy of Somali cooperatives is the lack of vision. A Somali proverb which says, “Co-operators do not fail” shows that people appreciate the importance of cooperation regardless. People pull together especially during hard times. Marginalized populations who live in perpetual hard time tend to always work together especially because they realise that alone they stand defeated. Therefore, there is need to reconstruct cooperatives, in a manner that they are owned and managed by the members and not politicians or elite. Moreover, people should come together voluntarily and not organized by external forces.”

The post-conflict Somali cooperatives are making strides towards re-establishment after a prolonged period of dormancy and uncoordinated operations. In this quest, the Somali Union of Cooperatives Movement got chartered by the International Cooperative Alliance (ICA). According to ICA, cooperatives have 7 principles that are supposed to guide their activities. Top on the list is having democratic member control and member economic participation.

"I doubt the cooperatives are adhering to these principles. Individuals are setting the agenda and moulding cooperatives to their likings. People trust systems and that is why we use banks. We deposit our hard-earned cash into banks because we believe that they will not misuse our money. But if you look now cooperatives members are not willing to pay membership fee because they are not sure where the money will go."

Self-sustaining cooperatives can influence sustainable development. However, attaining self-sustainability requires a shift from overreliance on government and donor support. In as much as government involvement in the functions of cooperatives is inevitable, interference that distorts transparency and accountability hampers their influence in sustainable development efforts. The commitment to cooperative values, personal professional integrity and skills by the management of cooperatives is an essential precondition to prevent overreliance on the state. It also comes in handy to combat the corruption that can occur in the cooperatives relations with the State, the cooperatives supply chain and within elected cooperative boards of directors.

Conclusion and Recommendations

5.1. Conclusion

The cooperative model is designed to build communities through increasing incomes and securing livelihoods. Cooperatives play a crucial role in bringing people with common goals and interests together and offer them a platform to lobby for better conditions for workers and small business. Through cooperatives, smallholder farmers can gain prospects that they otherwise could not have individually including negotiating for better markets, lobbying for subsidized prices on farm inputs and securing land rights. Notably, cooperatives can reduce poverty and hunger. In pre-conflict Somalia, cooperatives and government worked closely together evidenced in the partnerships that were established. Siad Barre's government facilitated for the linkages between cooperatives and relevant ministries under which they worked and had their activities coordinated. The government sourced for subsidized inputs and liaised for markets on behalf of the cooperatives. In addition to job creation, Somali cooperatives have been instrumental in the journey towards making Somalia food secure.

However, cooperatives today are operating in a new dispensation characterized by limited government support. Despite instituting UDHIS as the umbrella organization for Somali cooperatives, UDHIS remains incapacitated to perform its duties adequately. Moreover, lack of government involvement and support in the affairs of cooperatives has direct effects on stability, profitability and performance of cooperatives.

5.2. Recommendations

The promotion of cooperatives should be considered as one of the pillars of national and international economic and social development. To achieve this, there is need to

- Increase awareness of and information about cooperatives among the general public, cooperatives employees and government agencies
- Establish expanded, enabling, and more uniform co-operative laws both at the state and federal levels. States which have stronger laws in support of cooperatives, and that have more cooperatives, experience more of the benefits from cooperatives.
- Institutionalize supportive infrastructure, capitalization, and financing including loan funds, small business services, and workforce funding dedicated to cooperative development.
- Ensure cooperatives are formed by individuals who voluntarily come together to address a common need devoid from unnecessary pressure from political or other external forces.
- Ensure there is a strong Cooperative Management Development Strategy focusing on business skills and values appropriate to co-operative purposes and principles.
- Adhere to principles that uphold transparency, accountability and efficiency in order to strengthen the trust among primary cooperatives in created institutions.
- Lobby for government support in terms of accessible extension services, input subsidization, improved produce prices and international market sourcing.

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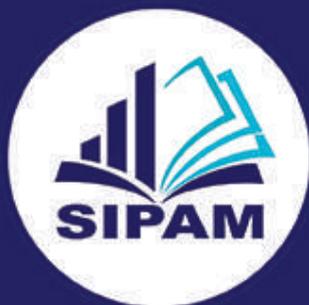
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