

A Comparative Appraisal of Cooperatives: An Overview of Selected Case Studies from Four Countries in Africa, Europe and North America

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Abstract: This paper presents a comparative analysis of cooperatives through selected case studies from four countries in Africa, Europe, and North America. The paper is qualitative in nature and relies on secondary data analysis to explore the role of cooperatives in economic development and community empowerment. The findings reveal that while cooperatives in developed countries like Spain and Canada benefit from strong regulatory frameworks and institutional support, enabling them to thrive as significant economic actors, those in developing countries such as Nigeria and South Africa face complex and multifaceted challenges. The article underscores the critical importance of a conducive regulatory environment and effective governance in fostering thriving cooperative ecosystems. The findings contribute to the ongoing discourse on cooperatives as alternative development models for sustainable local economic development.

Keywords: Cooperatives, Community Development, Africa, Europe, North America

1. Introduction

The role of cooperatives in addressing challenges faced by local communities in the modern world is widely recognized in both academic and public discourse. Scholars (e.g., Shoba & Mkhize, 2024; Mabasa, 2023; Zeuli et al., 2004) contend that cooperatives are essential drivers for economic growth and development within local communities. In agreement with this assertion, the International Labour Organization (ILO) (2013) stated that cooperatives collaborate with communities to promote territorial development. This statement is based on the understanding that cooperatives, by their nature, are community organizations committed to working for the communities they are embedded in (ILO, 2013). In the same way, Zeuli (2004) added that cooperatives are an imperative locomotive for community development. This assertion is concretized by the fact that cooperatives, by virtue of being community-owned and controlled organizations, can mobilize local resources into a critical mass to respond to local problems (Zeuli, 2004; Shoba & Mkhize, 2024).

The above backdrop implies that cooperatives represent an alternative tool for community development, as they can empower communities and promote economic development for the benefit of the community itself. In support of this claim, Zeuli et al. (2004) assert that the very nature of cooperatives puts these organizations into a position to create substantial social and economic benefits within a community, more so than non-cooperative entities that would be mainly implemented for profit-making purposes. Furthermore, cooperatives are recognized globally by important actors such as the International Labour Organization (ILO) and the United Nations (UN) for their contributions to economic development both in developed and developing countries. The ILO (2015) report acknowledges that “cooperatives are highly relevant and important in the realization” of the UN development agenda as encapsulated in the Sustainable Development Goals (SDGs).

Similarly, the UN (2024) noted that cooperatives' impact on SDGs is no insignificant phenomenon as these organizations contribute to economic development and create sustainable quality employment opportunities and livelihoods for 280 million people across the globe, constituting 10% of the world's employed population. However, despite the increasing importance of these organizations in supporting SDGs and promoting sustainable economic development within local communities by creating stable employment, increasing

income and contributing to the fight against poverty and inequality (Shoba & Mkhize, 2024). Their sustainability in developing countries remains doubtful, even though the challenges of poverty, unemployment and inequality are more prevalent in developing countries. The paper aims to present a comparative review of cooperatives using case studies of cooperatives from four countries in Africa and Europe. The study is mainly qualitative in nature and relies solely on secondary data sources on the subject under study. The paper is structured as follows: the first section introduces the study and provides background information; the second section reviews cooperative development through selected case studies from Europe (Spain), North America (Canada), and sub-Saharan Africa (Nigeria and South Africa); and the last section presents the study's discussions and concluding remarks.

2. Comparative Analysis of Cooperative Models Across Four Countries

2.1. Cooperatives in Spain

On July 17, 2023, the United Nations Secretary-General, Mr António Guterres, issued a report on cooperatives stating that 2025 would be the International Cooperative Year. The report outlines the prospects and challenges confronting the cooperative sector in the continually evolving global landscape. The challenges identified include rising poverty, inequality, climate change, unemployment, gender disparities, hunger, and many more. The report underscores the importance of cooperatives in addressing the aforementioned issues. It specifically cites Spain as a prime example of how cooperatives could be leveraged for the betterment of society. Spain's entrepreneurial ecosystem is the host of Mondragon Corporation, the largest industrial cooperative organization in the world, with total sales of more than 11.5 billion euros recorded in 2021 (UN, 2023).

The success of Spain in the cooperative sector has been attributed to its regulatory framework and a conducive entrepreneurial ecosystem, which have greatly enabled cooperative enterprises to thrive (Balch, 2024). The country's constitution directs the government departments and institutions to support cooperatives. This has been done through the implementation of appropriate legislation and policies. For instance, Article 129.2 of the Spanish Constitution "ordains that government authorities shall promote cooperative societies by means of adequate legislation" (Spanish Constitution, 1987, 129.2). This is further stated in the General Law on Cooperatives of 1987 and the Credit Cooperatives Law 13 of 1989. The remarkable success story of the Mondragon Corporation exemplifies how effective legislation and policies can lead to cooperative success. It demonstrates the importance of creating an environment that is enabling and conducive through the implementation of appropriate legislation and policies.

2.2. Cooperatives in Canada

Canada is one of the developed economies that appreciates the importance of cooperatives and acknowledges them as one of the significant contributors to its economic growth and development (Macpherson, 2025). The country has a regulatory framework and model for cooperatives comprising cooperation between government entities and the relevant stakeholders in the cooperative sector (Diekmeyer, 2020). Most of the cooperatives in the country operate primarily in the agricultural, financial services, and housing development sectors. The cooperatives provide important services in these sectors in the country's rural communities. The government acknowledges that "Cooperative businesses have an important economic role to play in generating jobs and growth in communities across Canada. Existing in every sector of the economy, cooperatives provide needed infrastructure, goods and services to Canadians" (Government of Canada, 2024:4). There is a huge number of people employed in this sector in the country. A study by Duguid and Karaphillis (2023) highlighted the extent to which the cooperative sector contributes to the Canadian economy. In particular, the Duguid and Karaphillis study noted the following: "... the value-added GDP impact of the cooperative sector in Canada is \$61.2 billion

yearly and represents a growth of 12% since 2010. Furthermore, the sector injects \$34.3 billion into household income, which is a 4.6% increase. Around \$13 billion was paid in taxes to all orders of government, which has grown by 11.1% in five years. In terms of employment, the sector is responsible for providing over 666,146 (full time equivalents) direct and spin-off jobs in the nation. The cooperative sector in Canada is approximately 3.4% of the total economy and 3.6% of the jobs" (Duguid & Karaphillis, 2023, p. 15). Against the foregoing background, it is evident that cooperatives are no small phenomenon in Canada.

2.3. Cooperatives in Nigeria

Like most other developing countries, Nigeria faces development challenges related to poverty and inequality. The government has tried different methods and mechanisms to deal with these developmental issues. In this regard, cooperatives are one of the mechanisms that have been utilized in the country (Osusu & Iyende, 2006). The government recognizes that cooperatives could serve as a channel through which the sustainable development of rural areas can be achieved. The sector contributes to the country's economic development and social advancement, providing much-needed employment opportunities and livelihoods, especially in the country's rural areas (Ajayi, 2022). The sector receives technical and financial support from the government through initiatives such as the Agricultural Development Programme (ADP) and the River Basin and Rural Development Authority (RBRDA) (Auta & Dafwang, 2010). Through these initiatives, the government has sought to drive and promote sustainable development in rural areas. Rural development has been a challenge in Nigeria, and the government has been trying to drive it through the development of the agricultural sector (Alexander & Asogwa, 2019). However, while the government has made efforts to support the development of cooperatives, the contribution of the sector in the country has remained insignificant. The various initiatives and interventions that have been put in place to drive meaningful rural development have not yielded the intended results. Literature shows that communities tend to view cooperatives as a way to access resources for individual gains rather than community empowerment. The good policies and programmes, such as the ADP and RBRDA, have been politicized, thus hindering their success.

2.4. Cooperatives in South Africa

The development of cooperatives in South Africa can be divided into two waves. The first wave refers to the cooperatives that were formed and operated during the apartheid era in the country. Studies (Shoba & Mkhize, 2024; Satgar, 2007; Genesis Analytics, 2014) point out that the first wave of cooperatives in South Africa was introduced in Pietermaritzburg, KwaZulu-Natal. The cooperatives in this era were founded mainly by white South Africans and were supported financially by the apartheid government. This was in line with the government of that time, which sought to drive race-based policies that discriminated against non-whites in South Africa. Most cooperatives established at the time were operating in the agricultural sector (Shoba & Mkhize, 2024), and the apartheid government promulgated the Land Acts of 1913 and 1936 to ensure the exclusion of non-white South Africans from participating in the country's agricultural sector (Piesse et al., 2003). The apartheid government was deliberate in its support of the cooperatives that were formed and operated at the time. For instance, in 1912, the Lankan Bank provided financial support to white-owned cooperatives in the country (Rena, 2017). The Land Bank was complemented by the promulgation of the Marketing Act of 1937 and the Cooperative Societies Act of 1922 and 1939 (Shoba & Mkhize, 2024). Through these legislation and policy initiatives, the apartheid government ensured that white-owned cooperatives (mostly in agricultural space) were supported with input supplies, marketing assistance, provided with low-cost loans and grants, infrastructural assistance and disaster aid. This facilitated the development of white-owned agricultural cooperatives into lucrative enterprises that controlled (and still dominate to this date) the entire agricultural industry in the country.

The second wave represents cooperatives formed under the current democratic dispensation, which began in 1994 after South Africa's transition to popular democracy. The democratic government inherited a country that was heavily divided between the haves and have-nots. A country facing triple challenges of poverty, unemployment and inequality (Shoba & Mtapuri, 2022), where the gap between the rich and poor is so wide that the country has been characterized as one of the most unequal societies in the world (Shoba, Mtombeni & Kwanhi, 2024). Therefore, the democratic government identified community initiatives, such as cooperatives, as mechanisms through which the country could break the cycle of poverty and redress the socioeconomic legacy of apartheid. In this regard, the Cooperative Act was introduced in 2005, which repealed the apartheid legislation on cooperatives in the country. The promulgation of the Cooperative Act created a platform for communities, especially rural communities, to organize themselves voluntarily to work on their common economic and social needs through jointly owned and democratically formed cooperatives under the principles espoused in the Cooperative Act. Regrettably, most community cooperatives formed in the current dispensation have struggled to sustain themselves beyond government support (Mampana, 2024). The cooperatives formed and operated after democratic dispensation faced challenges of limited resources and access to markets (McElwee, 2005). They also face significant challenges of conflicts between members and shareholders due to complex issues such as lack of education, skills and poor decision-making processes (Rena, 2017).

3. Discussion and concluding remarks

In this paper, a comparative analysis of cooperatives has been undertaken through case studies of four countries from three continents, namely Africa, Europe and North America. The findings demonstrate that cooperatives are globally recognized and acknowledged as crucial in supporting economic growth and local development. Cooperatives are important in supporting initiatives aimed at economic development and community empowerment. They are an imperative source of livelihood and support for local communities. They are particularly necessary in rural communities in developing countries and emerging economies with limited resources and opportunities.

The results show that developed countries in the global North, such as those in Europe and North America, have long realized the importance of cooperatives in driving sustainable development in rural territories. An assessment of the literature demonstrates that in Europe, cooperatives are responsible for a massive part of the agricultural sector, creating employment in the sector for local communities (Tsholoba, 2015). Indeed, America's Electric Cooperatives (2016) noted that a significant 50% of agricultural production was marketed through cooperatives. The results presented in this paper show that in Spain, cooperatives play a pivotal role in the country's economy. The sector employs millions of people and, thus, contributes to economic development and social cohesion in the country. A remarkable phenomenon that validates this finding is exemplified in the extraordinary success of the Mondragon Corporation. The extraordinary success of this organization indicates that cooperatives are not a small phenomenon, not only in Spain but in the world. The United Nations report on cooperatives' contribution to the world economy acknowledges and recognizes the Mondragon Corporation as the largest industrial cooperative institution in the world. The institution accounted for over 11.5 billion euros in 2021. The World Cooperative Monitor also confirms the important role played by cooperatives in the world economy. The acknowledgement of cooperatives by important institutions such as the United Nations and the World Cooperative Monitor concretizes the assertion that cooperatives are no insignificant actors and make a serious contribution to the world economy.

Moreover, our findings show that in Canada, cooperatives make significant contributions to the country's economy. The sector accounts for 3.4% of the total economy and 3.6% of the jobs in the country. Likewise, in Nigeria, cooperatives have become widely known (Osusu & Iyende, 2006), much like in other countries such as Canada and Spain. In South Africa, the development

of cooperatives is different from other countries discussed in this paper. Our findings indicate that cooperatives used to be a significant contributor to the country's economic development and community empowerment during the apartheid era. However, the success of the sector slowed down the transition into popular democracy in 1994. The results reveal different reasons why cooperatives were successful during apartheid and why they have struggled since the dawn of democracy. Indeed, the findings indicate that during the apartheid era, the sector was fully supported by the government. However, participation in the sector was only limited to the white population and excluded the black majority. Therefore, the success of the sector at the time was at the expense of the greater majority of the country's population. This was permitted by the apartheid system that was premised on racial-based policies and legislation.

In summary, the findings of the study show that cooperatives based in developed countries are more successful than those in developing countries. The developed countries have long recognized the importance of cooperatives and have developed a strong regulatory framework and built a conducive environment, which resulted in a thriving cooperative ecosystem. The findings suggest that cooperatives in developing countries, such as Nigeria and South Africa, face complex and multifaceted challenges that hinder their success. It is recommended that the governments of South Africa and Nigeria devise mechanisms to strengthen the regulatory framework and create an enabling environment for cooperative ecosystems to thrive in their countries. These countries can draw on models and policy success and lessons from developed nations such as Spain and Canada where cooperatives have flourished over the years.

Study limitations

A major limitation of this paper includes its conceptual nature. The paper is entirely based on conceptualizations of the author and the conclusions made in the study are those of the author based on the literature review undertaken on the topic under study. Therefore, none of the conclusions made in this paper have been supported by quantitative or statistical analysis. No fieldwork, interviews or focus groups discussions were undertaken for the compilation of this paper.

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