

## **COOPERATIVES IN MOZAMBIQUE**

(by **Amâncio Armando Nguluve**, *Executive Director of the AMPCM*,  
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**Distinguished Promoters of the Cooperative Movement in Southern Africa, my colleagues;**

**Ladies and Gentlemen:**

It is a great honor, on behalf of the AMPCM – the Mozambican Association for the Promotion of Modern Cooperatives – to be able to represent the Mozambican Cooperative Movement on this very important International Symposium dealing with the theme “Perspectives for Cooperatives in Southern Africa” held here in Lusaka from 20 to 21 August 2012.

A greeting to all these distinct cooperative movements of the countries from Southern Africa present here, to whom we shall certainly owe a great deal of learning and exchange of experiences in the course of these two days, to the organizers of this event and to the Friedrich Ebert Foundation in Mozambique, which enabled us to take part in this event.

I would like to share with you, in a few words, the situation of cooperatives in Mozambique in general and offer a brief presentation of the Mozambican Association for the Promotion of Modern Cooperatives - the AMPCM, the challenges of promoting modern cooperatives in Mozambique, and the opportunities and benefits of the New Mozambican Law on Cooperatives, whose elaboration and subsequent approval by the Mozambican Parliament have been actively promoted by the AMPCM.

### **The General Situation of Cooperatives in Mozambique**

The history of cooperatives in Mozambique's goes back to the period before National Independence when cooperatives, in part, were seen as incubators for the instilling nationalism and patriotic conscience.

During the national liberation struggle, attempts were made to organize production on a collective basis in the liberated areas. This embodied the noble values that were being cultivated, including production in a collective manner, which would drive the introduction and affirmation of cooperatives in a free and independent Mozambique.

Soon after the 1975 independence, as a way to deal with and equally divide the country's resources among all, and eager to translate concepts such as freedom, equality and social justice into practice, we see the emergence of the first forms of cooperative organization controlled by the Mozambican state, which used a

centralized system of planning and wealth distribution. This was the period when the economic system was centralized and influenced by the social and economic organization model adopted in Mozambique, namely socialism.

Production in rural areas, partly by agricultural cooperatives, supplied consumer cooperatives in the urban centers and contributed to the stabilization of food supply and prices. This production also supplied industries, generating both in the countryside as well as in urban areas, employment and income.

After the demise of the socialist system, i.e. about 1987, a time when under the aegis of the Bretton Woods institutions (the World Bank and the IMF), the so-called PRES (Economic and Social Rehabilitation Plan) was launched, whose objective was the introduction of a market economy, the cooperative model based on the socialist system (centralized state economy) disappeared.

During the subsequent period, the cooperative movement had no visible impact of. However, cooperatives did persist in some areas, notably agricultural cooperatives.

With the evolution of the new model of socio-economic organization based on the market economy some cooperatives emerged, albeit in an unstructured way. The Mozambican law provided for a traditional cooperative model, which was confused and not very comprehensive, given that the law, apart from being clearly out of date, assumed a cooperative model that relied on a centralized economy that was no longer consistent with the market economy adopted by the constitution of the Republic of Mozambique.

Believing that:

- The new socio-economic reality, market globalization, the strong competition and the emergence of multinationals in rural areas, call for the spirit of the cooperative to be kept alive;
- In order to thrive cooperatives should be provided with appropriate legal instruments, which reflect and/or cater not only for the traditional model of cooperatives, but also for the new generation of cooperatives.

A group of organizations that started to promote various legal reforms in the field of rural producer organizations, restructured and reorganized in what came to be called the NPCM (Center for the Promotion of Modern Cooperatives) consisting of APAC (Association for the Promotion of Commercial Agriculture) FRUTISUL (Fruit Growers Association of South Mozambique), UNAC (National Peasants Union) and the CLUSA Project in Mozambique, set as its main objective preparing the way for a national debate on cooperative models and the promotion of a new cooperative law.

After a participatory exercise at national level, which included public hearings (with the target group, government and parliament), debates and round table conferences (both in the newspapers and on the radio), the NPCM succeeded in producing and submitting a new bill on cooperatives, which was passed unanimously by the Parliament of Mozambique on April 30, 2009, promulgated by His Excellency the President of the Republic on August 27, 2009 and published in the Bulletin of the Republic of Mozambique (Series I No. 38, Law 23/2009) on September 28, 2009. It is now known as the General Law on Cooperatives, Law 23/2009.

This milestone marks a new era in the revival of cooperatives in Mozambique, namely the so-called modern cooperatives, intrinsically linked to the institutional establishment of the AMPCM (Mozambican Association for the Promotion of Modern Cooperatives) by transforming the then NPCM (Center for the Promotion of Modern Cooperatives) in order to meet the new challenges faced by the Mozambican Cooperative Movement.

### **What is the AMPCM, what has it done to date and which are the challenges it is facing?**

AMPCM – Mozambican Association for the Promotion of Modern Cooperatives - is a nonprofit legal entity established on January 26, 2010 with 12 Founding Members (APAC, APCM, ASSOCOOP, CIZENDA TAE, CMN, CLUSA, COOPMED, FRUTISUL, FRUTICAD, RECICLA, APHAMA and the UGC) whose mission is to “develop and promote the modern cooperative model (*sustainable trade channels controlled by the members*) as a sustainable means for the promotion of wealth”.

In the two years of its existence the AMPCM has grown to seventeen (17) members (between them Unions / Associations of/for Cooperatives & pre-Cooperatives, and pre-Cooperatives and Cooperatives), which develop cooperative businesses in the areas of Agro-livestock, Credit, Health, Production/Industrial Enterprises, Work, Consumption and Housing. The current member organizations of the AMPCM include 2.234 cooperatives and pre-cooperatives, involving about 165,000 members, which means that at present about one million Mozambicans are in some way linked with the cooperative movement through the AMPCM.

After the successful participatory consultation and elaboration of the new law on cooperatives, we highlight the following achievements during these two years of its existence:

- Establishment of the National Headquarters in the city of Maputo; the constitution of its executive staff with the hiring of its first Executive Director; the establishment of AMPCM institutional instruments and systems; and the elaboration of its first Strategic Plan and Financial Sustainability Plan for the period 2011 -2015.
- Participatory consultation and elaboration of the Regulations of the new Law on Cooperatives, already submitted to the Government of Mozambique and only waiting for its approval.
- Promotion and facilitation of the participation of member organizations and cooperatives in the annual industrial fair FACIM of 2010 and 2011,
- Training of Junior Lawyers, Auditors and Business Cooperatives on the Law on Cooperatives, covering the three regions of the country);
- Dissemination of the new Law on Cooperatives and its proposed Regulations at the level of government entities, civil society organizations, the private sector, educational institutions, the media and the public at large.
- Legal Assistance for the creation of new cooperatives and to the processes of adapting existing producer and/or cooperative associations to the new Law on Cooperatives.

- Assistance in the area of organizational development and management of cooperatives.
- Production and dissemination of brochures to share information and knowledge about the cooperative movement, including “The New Law on Cooperatives” and “Cooperatives as Development Alternative”.
- Participatory reflection about and production of the Action/Event Plan for the celebration in Mozambique of the International Year of Cooperatives and for the official launch of the International Year of Cooperatives by His Excellency the President of the Republic.

The AMPCM is increasingly growing in strength to better serve its members and the cooperative movement in Mozambique, through the following roles and services: Advocacy & Lobbying; Legal Assistance - Cooperative Law; Accounting & Auditing for Business Cooperatives; Institutional Development and Management of Business Cooperatives; Knowledge Management; Training & Capacity building in the area of cooperative movement; Research and Market Linkage of Products of Cooperative Businesses; Research and Certifications.

The main challenges faced by the AMPCM are:

- Mobilization of partnerships and funds to implement its Strategic Plan 2011-2015, which includes strategic objectives aimed at promoting the cooperative movement in Mozambique (*Dissemination and Implementation of the Law; Lobbying, Advocacy and Research; Institutionalization of Cooperatives and Promotion of Markets*) and objectives aimed at the promotion of Cooperative Business (with emphasis on consumer, housing, health, agro/livestock, credit and savings, and production and services cooperatives);
- Continued lobbying for ensuring the Approval of the Regulations on Cooperatives during the year 2012;
- Expansion of dissemination and knowledge of the new Law on Cooperatives and its proposed Regulations, the proper legalization of cooperatives and the process of transformation associations realizing economic activities into cooperatives under the new law;
- Continuous development of organizational capabilities and management of cooperative enterprises, and increasing the involvement of young people and women in the cooperative movement;
- Positioning the AMPCM as the entity that actually leads the public-private dialogue aimed at ensuring the growing consideration in the country's development plans of the contribution of cooperatives, as the entity representing cooperatives at national level, as regulatory entity, and as the entity offering certification and technical and legal assistance to the modern cooperatives;
- Having precise information on cooperatives in Mozambique and on the existing potential, including the contribution of cooperatives to the GDP (Gross domestic product).

Faced with an economic crisis as profound as the one we currently witness, which forces us to come up with differentiated and innovative responses, it would be a strategic mistake not to protect, improve and enhance the cooperative model in Mozambique, be it by the economic and social value that it has demonstrated already, or and above all by the high contribution it can bring to our economy and society, as has been shown in many economically developed countries with high economic and social cohesion rates.

## **And now, a word on the new Law on Cooperatives of Mozambique**

The new Mozambican Law on Cooperatives, known as Law Nr. 23/2009, has been considered one of the innovative laws in this area, born after lengthy and difficult studies on lessons learned in the past, current models that work in the rest of the world, discussions and consultations at all levels and with all directly concerned.

The new law is generally considered innovative, both in terms of legal technique, as well as in content, because the entire law is built on emphasizing the economic aspect of cooperatives without neglecting their social element, because it starts from the viewpoint that the concept and essence of cooperatives are of a dual nature: they are associations and simultaneously companies that allow the financing, using their own revenue, of the social objectives of the association, given that a cooperative is a group of persons pursuing economic, social and educational objectives through a company. It is this double vocation which embodies the unique characteristic of cooperatives on the basis of which the law has been conceived.

The main innovations of the new Mozambican Law on Cooperatives are the following:

1. ***The definition of Cooperative adopted by the Law and the character that is given to the new cooperatives (modern cooperatives):*** The proposed definition includes not only the essence of the traditional type of cooperatives, but also the so-called new generation cooperatives, emphasizing the entrepreneurial and economic aspect characteristic of the modern notion of cooperatives.

2. ***Operation with third parties***

This disposition paves the way for the possibility of cooperatives carrying out operations with third parties in a complementary way, just as is being done with the members of the cooperative itself, provided this does not detract from its purposes and the positions acquired by the cooperative members, and for the possibility to participate in commercial companies.

3. ***The cooperative act***

This is a new concept that is quite interesting and useful in distinguishing a purely commercial transaction from transactions between cooperative members and the cooperative, because as the latter does not have the same characteristics as a commercial transaction.

Differentiating in this way the cooperative act from a normal commercial act justifies not subjecting cooperative acts to taxation. First of all because the relationship established between a cooperative and a member concerns the provision of services, where the member supplies goods. This delivery does not count as a buying – selling operation which is why those supplies cannot be taxed, unlike commercial transactions.

#### **4. *The way cooperatives are incorporated***

The process is expected to be simplified, without the need for a deed or minimum share capital, easier ways of raising capital, without the need to previously request authorization and without the need to submit minutes of the constituent assembly.

#### **5. *Voting***

- The principle of one man one vote is upheld, with the proviso that having more than one vote - with an upper limit of five votes - is possible, which is calculated on the basis of the transactions realized with the cooperative and never on the basis of one's share capital.
- Foreseen is an assembly of delegates, which is one way of dealing with the problem to gather all members of the cooperative, due to geographic distances and costs related to attending a general assembly.
- The restriction of the right to vote because of a conflict of interests.

#### **6. *Management***

Foreseen are:

- The possibility to integrate non-members in management, provided they do not exceed one-third of the staff;
- Cooperatives with less than thirty members may operate with a president and vice president;
- The avoidance of incompatibilities for the governing bodies of the cooperative.

#### **7. *Expenses, Reserves, Surpluses***

All precepts concerning these matters are innovative and clearly establish the limits of operation of cooperatives, as well as of the expectations of the cooperative members. To be highlighted are:

- Established are the way expenses are being financed and the principle of cost-sharing in direct proportion to the enjoyment of services.
- Reserves: Compulsory (legal and for training) – other ones are decided in General Assembly.
- The mandatory establishment of a reserve is foreseen (*legal and for training, while other ones are decided at General Assemblies*)

- Also foreseen is the way surplus are distributed, which is done after the financing of expenses and the establishment of reserves, as well as the possibility of these being retained for the purpose of self-financing of the cooperative. This distribution is a proportional to the transactions realized with the cooperative, and never based on the amount or percentage of share capital.

## **8. Transformation of Associations into Cooperatives**

Given the particular case of Mozambique at present, this disposition has been adopted in order to facilitate the transformation of associations into cooperatives.

However, the transformation of cooperatives into another types of companies or business enterprises is not foreseen, so as to not allow them being used to constitute purely commercial enterprises.

### **Finally,**

We would like to reiterate the important role of cooperatives as social, economic and mutual aid enterprises in promoting economic growth and sustainable development of our peoples; in contributing to the creation of jobs and to the eradication and prevention of poverty and in consolidating livelihoods in urban and rural areas.

The AMPCM and myself reiterate our greetings to this symposium and other initiatives that are going to be organized to help the development of cooperatives in our region, we thank the organizers and all present for the opportunity given to us, and

Appealing to that each day of the year 2012, International Year of Cooperatives, serve for the recognition of that "The Cooperatives help to build a Better World!",

Cooperative Greetings and,

Thank you very much for your attention!