



co-operatives
for
development

Briefing Paper N° 2

Co-operatives and International Development

By Linda Shaw

What are main ways in which co-operatives contribute towards international development and the Millennium Development Goals?

Co-operatives – a global presence

Globally co-operatives provide employment for more people than multi-nationals - providing over 100 million jobs. At the same time it is estimated that the livelihoods of three billion people are made more secure by co-operatives.

Over 800 million people worldwide are members of co-operatives 140 million of which can be found within the European Union.

Co-operatives can be any kind of enterprise and operate in most sectors of economic activity providing both services and products. Co-operatives generally have strong local roots but this has not prevented them from expanding their activities beyond national borders. UK consumer co-operatives, for example, source their products from globalised supply chains as do other consumer co-operatives across Europe with a combined turnover of €70 billion. Ethical and environmental concerns are central to most consumer cooperatives. <http://www.eurocoop.org/>

It is also important to note that while co-operatives operate as individual enterprises, they also benefit from being part of a wider movement with a

membership operating at all levels e.g. sectoral, regional, national, and international.

<http://www.cooperatives-uk.coop/Home/about/theCo-operativeEconomy>

The United Nations estimated in 1994 that half of the world's population was made secure by co-operative enterprise. These enterprises continue to play significant economic and social roles in their communities.

Co-operatives should be viewed as belonging to the private sector. The globally agreed definition of a co-operative states this unambiguously.

“A co-operative is 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.”

(<http://www.ica.coop/coop/index.html>)

The co-operative contribution to development

Co-operatives are set up to meet their members' needs and like other businesses are not framed around an agenda of poverty alleviation. Nevertheless, they can have a significant impact on poverty. A World Bank study on financial co-operatives pointed out that even with middle income clients in membership they were still able to reach larger numbers of the poor than many microfinance institutions specifically targeted at the poor (Cuevas and Fischer, 2006).

A common misconception about the role of co-operative enterprise is that it best suited to the establishment of smaller rural enterprises but not for the development of globally competitive and large-scale enterprises. It is often argued that co-operatives should be seen as a "stepping stone" and only playing a temporary role preceding the adoption of mainstream commercial enterprise models. This is very far from the truth. Ongoing research into the global top 300 co-operative enterprises reveals a combined annual turnover of \$750 billion pounds, with many over 50 years old.

However, whereas companies and corporations are obliged to focus on profit, co-operatives are more likely to focus on providing benefits to their members and the wider community. As values-based enterprises, therefore, co-operatives can and do make a significant contribution to broad based development and poverty alleviation. For the International Labour Organisation (ILO),

Recommendation 193 states that: "the promotion of co-operatives should be considered one of the main pillars of economic and social development."

<http://www.copacgva.org/policy/index.html#global>

Co-operatives themselves directly support a large number of development programmes. In Europe, for example, co-operatives have mobilised resources for over 300 development projects in 80 different countries with funding of more than €80 million. The majority of these projects aimed to support co-operatives as instruments of self-help and empowerment for the poorest.

<http://www.coopseurope.coop/spip.php?article583>



Tea plantation workers in Bangladesh seeing a packet of the Co-operative tea they grow for the first time. The Co-operative Group visits the plantation on a regular basis to ensure labour standards are being observed

Co-operatives can:

- provide a key mechanism for enabling small producers to access markets and capture more of the value chain
- enable poor people to access a range of financial services including credit and insurance provision
- provide important goods and services not provided by the state – including health, electricity, water and housing
- facilitate grassroots democratic engagement and ways of enabling local leaders to emerge while remaining accountable to democratic institutions.
- generate effective ways of enabling informal sector workers to organise for self help and sustainability
- provide a sustainable and successful business model appropriate for both small and large enterprises in the developing and developed world

Legacies, misconceptions and mixed histories

The profile of co-operatives in international development during recent years has been very low and they have sometimes regarded as failing organisations. This perception stems in part from the fact that, until recently, governments and development agencies have promoted co-operatives that were not member owned and controlled and which were subject to distorting state supervisory regimes. This legacy has resulted in a disabling environment in many developing countries where co-operatives can still be used as vehicles for political initiatives and are hence vulnerable to distorted incentives, capture and corruption.

This is now beginning to change as the legal reforms needed to ensure an effective enabling environment and regulatory framework are now underway in many developing countries.

Research

The fact that co-operatives have been 'off the radar' for development has resulted in a lack of research into the role of co-operatives on a wide range of issues relating to them such as their impact on households and communities, good practice in governance and support, co-operative innovation and resilience.

This is now beginning to change. Some recent research has included an IMF paper on co-operative banks arguing that they are more stable than commercial banks and have advantages for consumers. (Hesse and Cihak, 2007). Most recently, the co-operative model has proven to be a successful and sustainable business model in the face of the global financial and economic crisis. (Birchall and Hammond 2009). In the UK, Ed Mayo the new CEO of Co-operatives^{UK} reports that 'the co-operative movement has a proud history, but the best by far is yet to come'.

http://www.cooperativesuk.coop/live/images/cme_resources/Public/speeches/a_dog_helps_dog_world.pdf

How does this relate to international development?

Co-operatives can play the same catalytic role and make the same contribution to economic growth and social development in the developing world as they

have in the developed world. Investigation into the co-operative sector in Africa, for example, revealed that approximately 7% of the African population belonged to a co-operative with clear signs of regeneration of the movement in many countries. (Develtere, Pollet and Wanyama, 2008).

A number of development agencies have specialised in working with the co-operative sector and developed a considerable body of expertise in co-operative development. Some countries have dedicated co-operative development agencies that both carry out specific co-operative programmes in the developing world. They include the Swedish Cooperative Centre, the Canadian Co-operative Association together with a number of different USA based agencies. In the UK, there is no tradition of a single co-operative development agency but the Co-operative College and the Plunkett Foundation both have long histories of international programmes.

There is no single vision or blueprint for co-operative development but rather a diverse range of approaches has emerged. They are often related to the strengths and nature of co-operatives in the donor country sector in the home countries. For 90 years, for example, the UK Co-operative College has provided support internationally for the development of co-operative education. Recent research into co-operative education provision in East and Southern Africa has revealed a continuing and growing need for training and education across the region. The presence of co-operative colleges across the region offers real potential to begin to meet this need.

There has also been a growing recognition within the UK consumer co-operatives of the need to ensure that their trade with the developing world is carried out fairly and ethically. As a result, the Co-operative Group, the largest UK co-operative, has begun to support some projects and co-operatives in the developing world. It is estimated that over 750,000 individuals in the developing world directly benefit from the Group's international development activity each year.

<http://www.cooperative.coop/corporate/Sustainability/social-responsibility/international-development-and-human-rights/>

Recommendations

In order to maximise the contribution that co-operatives can make to international development, three different groups need to be involved:

Governments:

➤ Governments are responsible for the legal and policy framework within which co-operatives need to function. A key priority needs to be support for ensuring the right enabling environment for co-operatives to flourish. This needs to accommodate genuine autonomy for the co-operative sector.

Donors and development organisations:

- Donors need to support more research and analysis into the co-operative sector
- There is a need to 're-orient development professionals' perceptions of co-operatives so as to recognise the role of co-operatives as a major means to achieve poverty alleviation and economic opportunity.
- Donors and development organisations need to develop policies and practices that recognise the distinct governance and development of co-operatives as member based organisations.
- Co-operatives can play a key role in promoting rural development especially for small holders and specialised support is needed to facilitate the growth of agricultural co-operatives.
- The provision of adequate education and training for co-operatives is also vital for their long term sustainability – donors could look a ways to support this.

Co-operatives:

- Co-operative movements, the structures that bring together individual co-operative enterprises into industry-wide or national federations, do themselves need to engage with the development agenda. In particular co-operatives provide an organised voice for farmers, informal economy workers and other groups which has been ignored in national discussions on PRSPs or similar instruments. Cooperatives in some countries will need help to do this.
- Co-operatives also need to look at their own governance, and ensure that they are inclusive organisations; there is no doubt that in too many situations women who contribute to the co-operative enterprise do not have proper representation or even membership.

References

- Birchall, J and Hammond, L (2009) *Resilience of the Co-operative Business Model in Times of Crisis* Geneva:ILO <http://www.ica.coop/activities/un/2009-coop-resilience.pdf>
- Cuevas and Fischer (2006) *Cooperative Financial Institutions :Issues in Governance, Regulation and Supervision* World Bank Working Paper no 82
- Develtere,P. Pollet, I and Wanyama, F (2008) *Cooperating out of poverty, The renaissance of the African cooperative movement* Geneva:ILO
- Hesse, H and Cihak, M (2007) *Co-operative Banks and Financial Stability* IMF Working Paper WP/07/02

Co-operatives for Development is supported by DFID . This briefing has been prepared by CfD and the views and opinions expressed are those of the author alone and not those of DFID.

© Co-operative College 2009



The Co-operative College
Holyoake House
Hanover Street
Manchester
M60 0AS
United Kingdom
Tel: +44(0)161 246 2926
Fax: +44(0)161 246 2946
Email: cfid@co-op.ac.uk
College Website: www.co-op.ac.uk
www.internationaldevelopment.coop