

Cooperatives for People-Centred Rural Development

Cooperatives play a major self-help role in rural areas, particularly where private businesses hesitate to go and public authorities do not provide basic services. They are instrumental in providing opportunities for productive employment, as well as offering health care, education, potable water, improved sanitation, roads, and market access, while giving a stronger “voice” to rural groups.

Why action is needed

Cooperatives...

- Create opportunity for employment, income generation, and increase the availability of goods and services, all of which also contribute to economic growth.
- Stimulate performance and competitiveness, as their members are also the beneficiaries.

Facts and figures

- Countries are reporting growing numbers of cooperatives. In Uganda, for instance, they increased from 554 in 1995 to 7,500 in 2009.¹
- Roughly one billion people are members of cooperatives, and over 100 million work in them.²
- In most countries the bulk of cooperatives operate in rural areas.
- Sustainable energy cooperatives are experiencing rapid expansion, with wind power cooperatives in Canada, Denmark, India and the United Kingdom and photovoltaic cooperatives in Brazil and Mexico.³
- In 2008, the 300 largest cooperatives accounted for USD 1 trillion in turnover.⁴
- Cooperatives are resilient to crises. During the ongoing financial and economic crisis, savings and credit cooperatives, and cooperative banks have experienced an increase in almost every facet of their business, including: increases in assets and deposits, in volume of lending, members, and better interest rates.⁵



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- Are strongly rooted in their community, and are thus more likely to positively influence it.
- Are guided by a set of underlying values and ethics and are schools of social dialogue and democracy.
- Are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility, and caring for others.
- Can transform survival-type activities into legally protected and productive work.
- Mobilize self-help and motivate people to make better use of their self-help potential.
- Balance the need for profitability with the broader economic and social development needs of their members and the larger community, because members are both producers and beneficiaries.
- Are often the only provider of services in rural communities, given that other types of enterprises often find it too costly to invest in these areas or anticipate low levels of economic return. This is the case for electricity, water resources, financial services, and consumer supplies. In India, for instance, the consumer needs of 67 percent of rural households are covered by cooperatives.⁶
- Help address many social and economic concerns such as community identity and strengthen the social fabric, particularly important in post-crisis contexts.
- Offer an economic future for youth in rural areas, and thus prevent rural depopulation.

- Are particularly valuable for women as they compensate for their often limited resources, mobility and “voice.” This also applies for disadvantaged groups such as indigenous populations and disabled persons.
- Withstand crises better than their capital-centered counterparts.
- Tend to choose sustainable development options because of their member-driven nature, a key approach for rural areas whose populations depend on the resilience of natural resources such as land, water, and soil quality.
- Encourage modernization by facilitating the dissemination of new technologies and processes.

Agriculture

- Agricultural cooperatives provide strong economic benefits to farmers, through sharing and pooling of resources, improved access to markets, higher returns for their products, and strengthened bargaining position.
- Cooperatives are a means to facilitate engaging in food processing, thereby allowing their members to access and benefit from higher value-added markets.
- Farmer cooperatives improve member livelihoods and local re-investments, support rural development and the viability of rural communities.
- Cooperatives also address the social protection needs of their members, thereby reducing farmers’ vulnerability, particularly in times of crisis, and prevent them from falling into poverty.⁷



- In some African countries, 40 to 60 percent of all cooperatives are involved in agriculture.⁸ In Ethiopia, for instance, 900,000 people in agriculture are estimated to generate part of their income through cooperatives.⁹

Health

- Health cooperatives provide their members in rural areas with medical services otherwise not available through public or private health programmes, including home-based care (e.g. for individuals with HIV/AIDS).
- In an era of privatization and reduction of public health services, member-owned, not-for-profit health cooperatives such as in Brazil, Colombia and Japan, may constitute an alternative to private insurers. In Benin, the savings and credit cooperative federation, FECECAM, is providing financial services including affordable micro-health and life insurance to over 500,000 individual members, 90 percent of whom live in rural areas.¹⁰

Housing, Infrastructure and Utilities

- Housing and building cooperatives directly create employment through the construction and maintenance of housing facilities, while providing housing at considerably low costs. For example, housing cooperatives for seniors in rural areas are popular in the USA.¹¹
- Cooperatives develop infrastructure (roads, water, schools and playgrounds), which generates employment, while helping provide an enabling environment for other enterprises, as well as an attractive setting for workers and their families.
- Utility cooperatives are pivotal in the overall electricity supply of rural areas. Currently, 85 percent of people without electricity live in rural areas of developing countries, mostly in sub-Saharan Africa and South Asia.¹² In 2005, 58 percent of rural electricity in Argentina was provided by cooperatives, without which advancements in agriculture would have been compromised and jobs in rural communities lost.¹³

Tourism

- The number of rural tourism cooperatives is rapidly increasing worldwide.
- Through tourism cooperatives, rural populations can generate important and complementary income. For example, agri-tourism cooperatives in Italy emphasize home-made and locally produced foods for tourists that seek a specifically rural or farm experience.
- Through tourism cooperatives, members may also increase their say in the overall nature, extent, speed and other modalities of tourism development in their area.



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Box 1

Defining a Cooperative

- A cooperative is an enterprise with broader objectives than other corporate forms. It 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.”
- Rural contexts can host a variety of cooperatives, in agriculture (production, processing, marketing, purchasing and sales), but also financial services (banking, credit and loan, insurance), in health, electricity, telecommunications, water, consumer goods and services, housing, tourism, and handicrafts.

Source: ILO: *The Promotion of Cooperatives Recommendation, 2002 (No.193)*

Savings and credit and other financial organizations

- In some developing countries and rural areas where access to banking is scarce, the large majority of adults store money at home, with friends or through other means.¹⁴
- Cooperative financial institutions represent 30 to 50 percent of cooperatives in any given country.¹⁵
- Access to finance creates opportunity for producers to purchase goods and services that increase their productivity. For instance, agriculture producers require access to finance to cover costs between harvesting periods, help them manage seasonal liquidity shortages and cover unforeseen expenses.

Policy options

Strengthen the cooperative business model using ILO's Promotion of Cooperatives Recommendation, 2002 (No. 193)

- Develop policies, legal frameworks and administrative practices (e.g. registration procedures, taxation policies, accounting standards, capital standards for financial institutions as well as ability to access funding) that support the establishment and growth of cooperatives, in consultation with cooperative organizations.
- Develop and implement an adequate regulatory framework for cooperatives, including for instance, labour law, taxation law, accounting standards and competition law.
- Establish equal treatment between cooperatives and other enterprises, taking into consideration the distinctive structure of cooperatives and their member-driven approach.
- Strengthen the autonomy of cooperatives: Necessary regulation needs to focus, first of all, on the self-control mechanisms of cooperatives.
- Provide special support for cooperatives that address specific social and public policy needs and activities benefiting disadvantaged groups or regions.
- Provide for an efficient and effective implementation of the regulatory framework, such as provisions on registration of cooperatives and auditing.
- Promote the establishment of secondary and tertiary cooperative structures (that is, associations of cooperatives) as well as horizontal linkages between primary cooperatives, so that the value-added in the processing and commercialization of products remains with cooperative members.

Box 2

“Materials and Techniques for Cooperative Management Training” (MATCOM)

This is a high quality, standardized and comprehensive training package. The MATCOM project (1978-1993) developed cooperative management training materials, which were put at the disposal of national cooperative movements and development partners, who could then prepare local versions. MATCOM consists of 40 trainers' manuals and 60 learning elements covering different types of cooperatives in various economic sectors, different target groups and different levels of cooperative management. Many of the manuals have been translated into French, Spanish, Portuguese, as well as 40 other local languages. The package is currently undergoing updates and revisions.



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- Raise awareness among policymakers, for instance, to promote entrepreneurial diversity in the banking industry, including cooperative banks.
- Promote education and training on the cooperative business model and its advantages, at all appropriate levels of the national education and training systems, and in the wider society.

Box 3

COOPREFORM

This programme (1993-2002) was part of the ILO-DANIDA initiative on cooperative development in rural areas to promote genuine cooperatives in the context of democratization, decentralization and structural adjustment. At least 61 countries benefited from COOPREFORM assistance directly or indirectly, and some 29 countries either promulgated a new cooperative law or embraced a new cooperatives policy (or both). This prepared the ground for ILO's ongoing substantial work to support constituents and cooperative organizations to strengthen their policies and legal frameworks in line with R. 193.

Box 4

SYNDICOOP

This joint initiative (2004-2006) among the International Cooperative Alliance (ICA), the International Trade Union Confederation (ITUC) and the ILO helped strengthen organization among informal economy workers, and improve employment opportunities, income and working conditions through cooperatives in Kenya, Rwanda, the United Republic of Tanzania, South Africa and Uganda.

Lessons learned from SYNDICOOP have guided programmes such as COOP^{AFRICA} (2007-2010), which updated and replicated certain aspects in nine African countries (Ethiopia, Kenya, Lesotho, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zanzibar). COOP^{AFRICA} aimed at mobilizing the cooperative self-help mechanism to tackle development constraints, such as unemployment, lack of social protection, lack of empowerment and poverty.

RURAL DEVELOPMENT through DECENT WORK

FOR GROWTH, PRODUCTIVE JOBS, INCOME, FOOD SECURITY, GOOD WORKING CONDITIONS, EQUAL OPPORTUNITIES, RIGHTS, VOICE, SUSTAINABLE DEVELOPMENT, CRISIS RESILIENCE

- Strengthen the productivity of existing cooperatives and their competitiveness, among others by providing for training and other forms of assistance to members, office-bearers and staff of cooperatives in order to develop technical, entrepreneurial and managerial skills.
- Establish links and collaboration between employers' and workers' organizations, and cooperatives.
- Encourage employers' organizations to extend membership to cooperatives wishing to join them.
- Encourage workers' organizations to advise and assist cooperative members to join them, and to assist their own members to establish cooperatives.

ILO's role

- The ILO has an explicit mandate and an international governmental legal instrument to promote cooperatives, namely R. 193.
- ILO's cooperatives support work started in the 1920s. In the last 15 years alone it has assisted over 65 countries in their cooperative policy and law reform. Most recently, it has contributed to the design of the *Ley Marco para las cooperativas de America Latina*; the Uniform Cooperative Act for OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*); and the implementation assessment of the 2003 European Union Regulation on cooperatives in the 27 EU member countries and 3 European Economic Area countries.
- The ILO assists constituents and representative cooperative organizations in developing cooperatives of all types and sizes, focusing on four closely interrelated areas:
 - ◆ Political dialogue on the economic, social, societal and political importance of cooperatives
 - ◆ Statistics on cooperatives
 - ◆ Cooperative-specific research, education and training
 - ◆ Advice on cooperative policy and legislation
- The ILO closely cooperates with the International Co-operative Alliance (ICA), comprised of 240 cooperative member organizations in 90 countries; and is a member of the Committee for the Promotion and Advancement of Cooperatives (COPAC), composed of ICA, ILO, FAO and UN.



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¹ ILO: *Resilience of the Cooperative Business Model in Times of Crisis* (Geneva: 2009)

² ICA: *Statistical Information on the Co-Operative Movement* (2011) Available at: <http://www.ica.coop/coop/statistics.html#economic>

³ *Statistical Information on the Co-Operative Movement*, op. cit.

⁴ ICA: *Global 300*. Available at: <http://www.global300.coop>

⁵ ILO: *Resilience of the Cooperative Business Model in Times of Crisis* (Geneva: 2009)

⁶ Information from the National Co-operative Union of India (NCUI) Available at: <http://www.ncui.net/Coop-connect.html>

⁷ Chambo, Suleman Adam: *Agricultural Co-operatives: Role in Food Security and Rural Development* (New York: 2009)

⁸ Pollet, Ignace: *Cooperatives in Africa: The Age of Reconstruction – Synthesis of a Survey in Nine African Countries*, *Coop^{AFRICA} Working Paper No. 7* (ILO: Dar es Salaam, 2009)

⁹ Lemma, Teigist: *Growth Without Structures: The Cooperative Movement in Ethiopia* (ILO/World Bank Institute, Geneva: 2007)

¹⁰ ILO: *Cooperatives and Rural Employment*, Fact Sheet (Geneva: 2007)

¹¹ ICA: *Housing Co-operatives in USA* (August: 2007) Available at: <http://www.ica.coop/al-housing/attachments/Housing%20Cooperatives%20in%20USA%20-%20FINAL.pdf>

¹² Nietz, Alexandra: *Comparative Study on Rural Electrification Policies in Emerging Economies. Keys to Successful Policies* (International Energy Agency: Paris, 2010) Available at: http://www.iea.org/papers/2010/rural_elect.pdf

¹³ Federación Argentina de Cooperativas de Electricidad y Otros Servicios Públicos Limitada (2011) Available at: <http://www.face.coop/es/servicios/el-cooperativismo-en-cifras/>

¹⁴ Schneiderman, Ross M. and Doskow, Vivian: "Savings for the Poor," in *Newsweek* (24 January 2011)

¹⁵ Ibid, op. cit.

Links

- ILO: Cooperative Branch: http://www.ilo.org/empent/WorkingUnits/lang—en/WCMS_DOC_ENT_DPT_COO_EN/index.htm

Tools

- ◆ ILO: MATCOM (*Material and Techniques for Cooperative Management Training*) under revision.
- ◆ ILO: Guidelines for Cooperative Legislation, 2nd edition (Geneva: 2005) http://www.ilo.org/wcmsp5/groups/public/—ed_emp/—emp_ent/documents/publication/wcms_094045.pdf
- ◆ ILO: *Innovative Cooperative Training. A Trainer's Source Book* (Geneva: 2009) <http://www.ilo.org/public/libdoc/ilo/2009/434685.pdf>

Other Materials

- ◆ ILO: *Cooperating Out of Poverty: The Renaissance of the African Cooperative Movement* (Geneva: 2008) http://www.ilo.org/public/english/employment/ent/coop/afrika/download/coop_out_of_poverty.pdf
- ◆ ILO: *Rediscovering the Cooperative Advantage. Poverty Reduction Through Self-Help* (Geneva 2003) <http://www.uwcc.wisc.edu/info/cd/jb1.pdf>
- ◆ ILO: *COOP^{AFRICA} Working Papers Series* <http://www.ilo.org/public/english/employment/ent/coop/afrika/info/publ.htm>

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