

Cooperatives- Conspicuously absent in trade & development discourse

Raymond Saner, Lichia Yiu & Mario Filadoro²

CSEND Policy Brief Nr.10
ISSN 2235-8048

Geneva, November 2012

www.csend.org

<http://www.csend.org/csend-policy-briefs/item/310-csend-policy-briefs>

Context

The United Nations General Assembly declared 2012 as the International Year of Cooperatives (IYC), highlighting the contribution of cooperatives to socio-economic development, in particular recognizing their impact on poverty reduction, employment generation and social integration. UN resolution A/RES/64/136 encourages all member States, the United Nations and all relevant stakeholders to take advantage of the IYC to promote cooperatives and raise awareness of their contribution to social and economic development and to promote the formation and growth of cooperatives. The main goals for the International Year of Cooperatives are:³

- *Increase public awareness about cooperatives and their contributions to socio-economic development and the achievement of MDGs*
- *Promote the formation and growth of cooperatives*
- *Encourage Governments to establish policies, laws and regulation conducive to the formation, growth and stability of cooperatives*

International Organizations (IOs), especially the development agencies, have a vital role to play to provide support for the development of cooperatives through technical assistance and other development aid instruments. However, little is known about the IOs actual policies and programmes for the development of cooperatives in recipient countries for instance in regard to promotion, formation and development of cooperatives in agricultural and service sectors. Cooperatives in LDCs, in particular, need enabling environments in order to be competitive and sustainable and be given access to trade opportunities. This short article takes a first step in highlighting this gap and provides references as to the IOs current support for the development of cooperatives in LDCs.

² Written by Prof Dr Raymond Saner, Director Diplomacy Dialogue, Prof. Dr Lichia Yiu, President, CSEND and Mario Filadoro, MA, Trade Analyst, CSEND-TPGP.

³ See <http://social.un.org/index/Cooperatives/InternationalYearofCooperatives2012.aspx>. 7 July, 2012 was the International Day of Cooperatives.

The role of cooperatives in international development and the social and solidarity economy

The International Co-operative Alliance states that cooperatives “are businesses owned and run by and for their members. Whether the members are the customers, employees or residents they have an equal say in what the business does and a share in the profits. As businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation... Successful co-operatives around the world are allowing people to work together to create sustainable enterprises that generate jobs and prosperity and provide answers to poverty and short term business practices.”⁴

As stated by the Deputy Director General Asha-Rose Migiro’s remarks at the launch of the International Year of Cooperatives, 31 October 2011, in New York, three main values are embraced by cooperatives: 1) focus on the long-term through their use of local labour and capital; 2) solidarity and accountability vis-à-vis the broader community and its own members; and 3) inclusiveness with democratic decision-making processes and a focus on cultivating member skills and capacities.⁵

The concept of cooperative is embedded in a broader idea of social and solidarity economy (SSE), seeking the creation of new opportunities for transforming society, as a precondition for more social justice and fairer wealth distribution. This concept of re-organizing the relations between the economy and the society seems to be evolving in the developed and developing countries. In Europe, for instance, the SSE concept is not homogenously understood in all the countries. The countries with greatest acceptance of the concept are: France, Italy, Spain, Portugal, Belgium, Ireland, Sweden, and Poland.⁶ On the other hand, the EU countries with little recognition of the SSE concept are: Austria, Estonia, Hungary, Lithuania, Slovenia, and the Netherlands.⁷

Resilience against crisis: resource mobilization in a restrictive environment

Cooperatives have been more resilient to the deepening global economic and jobs crisis than other economic actors. According to the ILO,

“cooperative enterprises across all sectors and regions are relatively more resilient to the current market shocks than their capital-centred counterparts. However, as for other enterprise types, the situation of cooperatives with regard to the crisis varies with the degree of dependency on demand and external financing, the degree of their diversification and also with the sector.”⁸

Furthermore, a study by the European Confederation of Cooperatives found that the cooperatives’ long-term approach has helped them to anticipate and address changes in the context of the financial crisis. The study states: “Two important factors stand out to explain these achievements: the specific internal structure of these enterprises, and the systemic

⁴ See International Co-operative Alliance website, <http://2012.coop/en/what-co-op>

⁵ Deputy Secretary-General, DSG/SM/583, ENV/DEV/1237, OBV/1046. See <http://social.un.org/coopsyear/documents/launchprogramme.pdf>

⁶ Outside the European Union, the Government of Australia has developed a Good Business Guide for Cooperatives. See

[http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_\(Jan_11\).pdf](http://www.commerce.wa.gov.au/ConsumerProtection/PDF/Cooperatives/Co-operatives_Good_Business_Guide_(Jan_11).pdf).

⁷ Rosa Luxemburg Foundation Brussels (2010), “Solidarity-based and Co-operative Economy and Ethical Business: Trends, Innovations and Experiences”, available from http://rosalux-europa.info/userfiles/file/Solidarity_Based_Economy_in_Europe.pdf.

⁸ See http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_105073/lang--en/index.htm

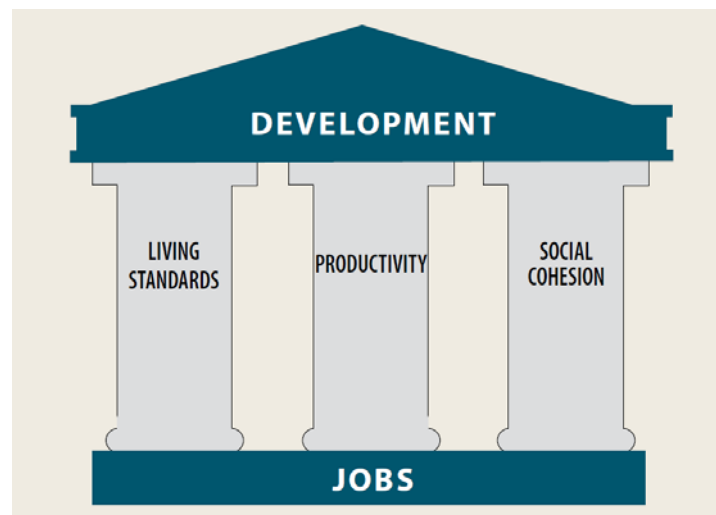
environment which they have built around themselves, especially in terms of financial instruments and inter-enterprise groupings”.⁹

Lastly, the International Organisation of Industrial, Artisanal and Service Producers’ Cooperatives indicates that the *“good performance of cooperatives is a result of their capacity to combine security and flexibility while pursuing their mission of creating sustainable jobs.”*¹⁰

Cooperatives have a dual purpose in fostering development and helping countries in times of crisis: 1) economic performance; and 2) offer opportunities for social integration. They offer a densely connected social network in lieu of a social vacuum resulting from insufficient and inadequate institutions they can also *“become a way for workers in the informal economy to realize their rights. And because they are membership organizations, they can be accountable. Workers must organize themselves. But they often need help. That is the role, and responsibility of the existing cooperative and trade union movements.”*¹¹

Social cohesion is one of the three pillars (together with living standards and productivity) identified by the World Bank which foster development through jobs (see Figure 1). According to the 2013 World Development Report, job creation in the formal economy over the past decade has been three times as rapid as in the informal economy.¹² This recent World Bank report mentions cooperatives only one time even though, globally, cooperatives provide 100 million jobs and ensure the livelihoods of 50 per cent of the world’s population.¹³ Considering the fact that in many LDCs and low income developing countries, a large majority of their working force is still in the informal economy, cooperatives offer an alternative way to help overcome this situation by offering work participation and joint ownership.

Figure 1: Jobs are transformational
Source: World Bank (2013), “World Development Report”, page 8.¹⁴



Cooperatives are very important socio-economic actors

⁹ See <http://www.cecop.coop/Beyond-the-Crisis-Cooperatives>

¹⁰ See http://www.cicopa.coop/public_docs/RaportCriseEN.pdf

¹¹ International Labour Organisation (ILO), the International Co-operative Alliance (ICA) and the International Confederation of Free Trade Unions (2006), “Let’s organize! A SYNDICOOP handbook for trade unions and cooperatives about organizing workers in the informal economy”, available from http://www.ilo.org/empent/Publications/WCMS_094047/lang-en/index.htm

¹² World Bank (2013), “World Development Report”, available from http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf, pages 8 and 28.

¹³ See http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang-en/index.htm

¹⁴ Ditto, World Bank 2013.

Over one billion people around the world are members of a cooperative, according to the International Co-operative Alliance (ICA). The country with the largest number of individual members indirectly represented by the ICA is the United States with 305.6 million members accounting for nearly 30,000 co-operatives. The world's largest co-operative enterprises represent collective revenues of USD 1.6 trillion.¹⁵ According to the ILO, Financial cooperatives serve over 857 million people – 13 per cent of the world population while Agricultural cooperatives produce 50 per cent of global agriculture output.¹⁶

Cooperatives have been prosperous and influential in some countries. For instance, social enterprises, many of them co-operatives, are already legally recognized in countries such as Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom.¹⁷ As identified in the ILO's Handbook on cooperatives for use of Workers' Organizations, there are different types of cooperatives. These are: Cooperatives offering a service to members; Financial cooperatives; Agricultural or farmers' cooperatives; Consumer Cooperatives; Housing cooperatives; Public service provision cooperatives; Shared services cooperatives or support services cooperatives; Worker cooperatives; Producer cooperatives; Labour cooperatives.¹⁸ The potential of cooperatives in terms of employment and service provision is relevant for developing as well as for developed countries.

Reflection and Ways Forward

Overcoming the Silence

Much more analysis is called for in order to shed light on the role of cooperatives and their contribution to social and solidarity economics. Taking into consideration the achievement of various forms of cooperative initiatives undertaken by local communities across the global and the success of the existing large and competitive cooperatives in the mainstream economy, the development potential of cooperatives has not been properly recognized and mainstreamed into the trade and development discourse.

The conspicuous silence about the cooperatives and their potential role in socio-economic development is observable by the apparent lack of knowledge about cooperatives by policy experts in the leading development organizations such as WTO, WB, UNCTAD, UNDP, OECD, the regional development banks, and the UN itself especially the departments focusing on LDCs and Development Countries.

The official Calendar of Activities of the International Year of Cooperatives lists 54 activities in different parts of the world, some at national level some on specific themes in mostly developed countries and in a few low income countries. The relatively "cool" reception of this international *signpost event* indicates that the discussion and appreciation of cooperatives as complementary development strategies has not been sufficiently noticed by development

¹⁵ International Co-operative Alliance (2010), "Global300 Report 2010: The world's major co-operatives and mutual businesses", available from <http://2012.coop/sites/default/files/attachments/Global300%20Report%202011.pdf>

¹⁶ See http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang-en/index.htm

¹⁷ European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises - CECOP (2006), "Cooperatives and social enterprises: Governance and normative frameworks", available from <http://www.cecop.coop/Cooperatives-and-social>

¹⁸ International Labour Office / Guy Tchami (2007), "Handbook on cooperatives for use of Workers' Organizations", available from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_094046.pdf, pages 23-30 provide case examples of the different types of cooperatives. An in-depth analysis prepared by McKinsey on how cooperatives work and the opportunities they offer in our fast-changing, short-term focused environment is available from http://www.mckinsey.com/client_service/strategy/latest_thinking/mckinsey_on_cooperatives

policy makers and experts. Besides being “celebrative”, these events contributed little to promote cooperatives as a viable complementary development option for low income countries.¹⁹

A preliminary review of the Diagnostic Trade Integration Studies (DTIS) and the Poverty Reduction Strategy Papers (PRSP) of LDCs found an overall neglect of cooperatives. Mainstreaming cooperatives into the national development strategies by selected LDCs is very scanty (see table annexed). The 48 reports reviewed make a few references to the role of agricultural and mining cooperatives in some national development strategies. In other cases there are only one or two references (e.g. the name of a Ministry or a cooperative listed in the document). Out of 48 countries, Rwanda and Yemen are the countries that included more references pertaining to cooperatives in their DTIS, while Timor Lest, Uganda and Zambia are the ones that included more references in their PRSP.

This initial review counted only at how often cooperatives were mentioned in both key development documents of the 48 LDCs. What needs to be answered by future analyses is to what extent cooperatives are utilized as a mobilising vehicle in organizing the productive capacities at the community level and what are the enabling conditions necessary to foster growth. Similar to that of micro enterprises or micro financing entities, cooperatives are key vehicles to truly empower local communities to be entrepreneurial and socially enterprising. Should future document review show that cooperatives have not been included in DTISs or PRSPs, questions should be asked and answered as to why cooperatives are not included in these documents.

Mainstreaming Cooperatives!

Cooperatives have played an important economic and social role in developed as well as developing countries. However, the contributions of cooperatives are not as publically and internationally recognized and often times, cooperatives are treated as “invisible citizens” compared to the public and private sector organizations. The 2012 International Year of Cooperatives should have encouraged IOs and other stakeholders to assess without ideological bias what the benefits and constraints might be if cooperatives would be seriously included in the current trade & development policies in order to strengthen the policy impact.

In light of the proven contributions of cooperatives to sustained socio-economic development and taking into account the absence of credible, evidence based solutions to the urgent development needs of LDCs and low income developing countries, the currently available policy instruments for development aid like PRSPs, DTISs and TRTAs need to be analyzed in great detail in order to ensure timely and effective inclusion of cooperatives into future socio-economic development strategies of LDCs by IOs and bilateral donors alike. From the authors’ point of view, this would add to the tame International Year of the Cooperatives a development relevant policy focus.



¹⁹ The Committee for the Promotion and Advancement of Cooperatives (COPAC) is an inter-agency collaboration initiative on activities related to cooperatives. See <http://www.copac.coop/about/index.html>. A list of events organized during the 2012 International Year of Cooperatives is available from <http://social.un.org/coopsyear/calendar.html>

Annex: References to Cooperatives in DTIs and PRSPs of LDCs

	Country	DTIS		PRSP	
		Year	Reference to "Cooperatives"	Year	Reference to "Cooperatives"
1.	Afghanistan	N/A	N/A	2008	5
2.	Angola	2005	0	N/A	N/A
3.	Bangladesh	N/A	N/A	2011?	12
4.	Benin	2005	2	2007	1
5.	Bhutan	2012	6	2004	1
6.	Burkina Faso	2007	1	2008	0
7.	Burundi	2003	0	2012	4
8.	Cambodia	2001	3	2006	3
9.	Cape Verde	2009	0	2006	0
10.	Central African Republic	2007	4	2009	3
11.	Chad	2006	2	2007	0
12.	Comoros	2007	1	2006	3
13.	Democratic Republic of Congo	2010	4	2007	5
14.	Djibouti	2004	1	2009	2
15.	Eritrea	N/A	N/A	N/A	N/A
16.	Ethiopia	2004	13	2011	0
17.	The Gambia	2007	0	2011	3
18.	Guinea	2003	1	2012	0
19.	Guinea Bissau	2010	1	2011	0
20.	Haiti	N/A	N/A	2012	0
21.	Kiribati	N/A	N/A	N/A	N/A
22.	Lao PDR	N/A	N/A	2008	0
23.	Lesotho	2003	0	2012	8
24.	Liberia	2008	9	2011	2
25.	Madagascar	2003	2	2009	0
26.	Malawi	2004	1	2012	20
27.	Maldives	2006	0	2008	0
28.	Mali	2004	0	2008	6
29.	Mauritania	2001	1	2011	2
30.	Mozambique	2004	0	2011	1
31.	Nepal	2010	9	2007	5
32.	Niger	2008	0	2008	5
33.	Rwanda	2005	54	2011	70
34.	Samoa	2010	0	N/A	N/A
35.	São Tomé e Príncipe	2006	1	2008	0
36.	Senegal	2003	0	2007	4
37.	Sierra Leone	2006	16	2011	0
38.	Solomon Islands	2009	3	N/A	N/A
39.	South Sudan	N/A	N/A	N/A	N/A
40.	Sudan	2008	1	N/A	N/A
41.	Tanzania	2005	10	2011	6
42.	Timor Leste	N/A	N/A	2005	46
43.	Togo	2010	4	2011	5
44.	Tuvalu	2010	0	N/A	N/A
45.	Uganda	2006	2	2010	36
46.	Vanuatu	2007	8	N/A	N/A
47.	Yemen	2003	14	2002	8
48.	Zambia	2005	0	2007	24

Sources: Enhanced Integrated Framework (EIF),

http://www.enhancedif.org/EN%20web%20pages/Where%20we%20work/A_Z_countries.htm and

International Monetary Fund (IMF), <http://www.imf.org/external/np/prsp/prsp.aspx>