This book has been commissioned to highlight the significant contributions that the cooperative model of enterprise can make to achieving the Millennium Development Goals.

The United Nations Millennium Declaration and its goals set out issues that must be addressed if we are to strengthen the foundations of a more peaceful, prosperous and just world. These Millennium Development Goals today are the focus of the world’s development agenda with multi and bilateral organisations, governments and civil society all seeking to find innovative ways to reach the goals by 2015. However, many are not taking into consideration the unique contribution that cooperatives can make, due in part to the fact that cooperatives have had a mixed history and the lack of visibility of the cooperative model. The author of this volume, Johnston Birchall makes an important point: the past record of those so-called cooperatives set up and controlled by government, and which miserably failed to lead to any economic and social development, are not part of the legacy of cooperatives as these are not true cooperatives. Thus, there exists the ever-important need to showcase what real cooperative enterprises have been and are capable of.

The Cooperative Branch and the Policy Integration Department of the International Labour Office (ILO), and the Committee for the Promotion and Advancement of Cooperatives (COPAC) are pleased to jointly publish this book that highlights the accomplishment of cooperatives both in so-called developed and developing economies. Dr Birchall shows both conceptually and practically that cooperatives can be, and are, thriving enterprises which contribute in significant ways to reducing poverty, promoting gender equality, providing health care services, tackling the HIV/AIDS pandemic, ensuring environmental sustainability and working through partnerships with a wide range of actors. However, this study also shows that cooperatives are not yet involved as fully as they could be in the formulation and implementation of the Poverty Reduction Strategy Papers. Thus, efforts are still required by multi and bilateral agencies, governments, and civil society to ensure that people-centred, self-help enterprises – cooperatives – have an opportunity to participate fully in the development process.

The review and case studies included in this book also benefited from discussion with development specialists from cooperative organisations,
development agencies, United Nations agencies and the World Bank at a COPAC Open Forum on “Cooperatives and MDGs” which was held in Washington, DC (USA) in May of this year.

With a movement that reaches over 800 million individuals, this book makes the case that the cooperative movement can be a key partner to reach the MDG targets. Cooperatives are improving the lives of people by raising their economic conditions, by promoting social integration and ultimately creating just those conditions that the Millennium Declaration foresees as being fundamental to building peaceful societies.

We would like to acknowledge the patience of Mr. Huseyin Polat, ILO-COOP, and Mr. Graeme Buckley, ILO-INTEGRATION/NPG, in reviewing and editing this book. We would also like to thank Ms. Claire Piper, ILO COOP, for the cover design and the formatting of the text.

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Abbreviations

ACOPAM ........................................... Appui associatif et coopératif aux initiatives de développement à la base
BITO .................................................. Bakun Indigenous Tribes Organisation
CBO ........................................................ Community Based Organisation
CDA ........................................................... Cooperative Development Agencies
CICOPA ................................................ International Organisation of Industrial, Artisanal and Service Producers Cooperatives
COPAC ...Committee for the Promotion and Advancement of Cooperatives
DFID .................................................. Department For International Development (UK)
FAO ........................................................ Food and Agricultural Organisation
GDP .......................................................... Gross Domestic Product
ICA ........................................................... International Cooperative Alliance
ICMIF ............... International Cooperative and Mutual Insurance Federation
ILO ............................................................ International Labour Office
IMF ........................................................... International Monetary Fund
INDISCO ............... ILO’s Inter-Regional Program to Support Self-reliance of Indigenous and Tribal people through Cooperatives
IRU ........................................................ International Raiffeisen Union
LAMPCS .............................................Large Multi-Purpose Cooperative Societies
LED ....................................................... Local Economy Development
LEDA ..................................................... Local Economic Development Agency
MDG ........................................................ Millennium Development Goals
NGO ........................................................ Non Governmental Organisation
NRECA .................................................. National Rural Electric Cooperative Association
OECD ............ Organisation for Economic Cooperation and Development
PRSP ..................................................... Poverty Reduction Strategy Papers
SAGUAPAC ........ Cooperativa de Servicios Públicos ‘Santa Cruz’ Ltda
SEWA ........................................ Self Employment Women’s Fund Association
SGA ........................................................ Strategic Grant Agreement
SSADRI ............. Social Science and Development Research Institute, India
UN ............................................................ United Nations
UNDP .................................................. United Nations Development Program
USAID ........................................ US Agency for International Development
WFP ........................................................ World Food Program
WOCCU ............................................. World Council of Credit Unions
Introduction

Around two hundred years ago, countries in the now-developed world began a period of sustained economic growth that is unique in human history. During the depression of the 1930s and the total war that followed, growth faltered, but in the last fifty years it has spread to the oil-producing countries of the Middle East, and to ‘transitional’ countries in south-east Asia and Latin America, some of which are now considered part of the developed world. With an increasingly globalising world economy, it might have been expected that those countries classed as ‘developing’ would catch up, but the opposite has happened. In some countries such as Brazil, growth has been accompanied by growing inequality, and the benefits have not filtered down enough to the poor. In others, such as those in sub-Saharan Africa, growth has slowed down even to the point of going into reverse, and some commentators suggest they are being left out of the global economy altogether. In others, such as China, growth has been high but uneven, lifting 150 million people out of poverty in coastal regions while leaving those in landlocked regions behind. Everywhere, growing populations swell the numbers in poverty even when there is economic growth. Also, we now know that growth comes at a cost; the environmental degradation that often accompanies it tips more people into poverty.

During the 1990s, things got much worse. 54 countries became poorer than they used to be. In 21, a larger proportion is now hungry. In 14, more children are dying before the age of five (in seven countries almost one child in four will not survive until the age of five). In 12 countries primary school enrolments are shrinking, while in 34 life expectancy has fallen. In nine countries, more than a quarter of people still do not have access to safe drinking water, and in some the situation is getting worse. The underlying cause is economic crisis; during the 1990s, per capita income growth was less than three percent in 125 developing/transition countries, and in 54 of them incomes fell (including 20 from sub-Saharan Africa, and 17 from Eastern Europe and the CIS).

What has gone wrong? While there was a Cold War, fought by the USA and the Soviet Union by proxy in developing countries, it was possible to achieve some development gains in primary education, health care and farm incomes, though much of the development assistance was squandered on

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1 Sassen, S etc
2 United Nations (2003b) Overview, p. 2
military spending, corrupt dictatorships and civil wars. Most cooperatives were caught up in this system. Then, when the communist regimes collapsed, economies and political governance structures that had been bent out of shape by the cold war did not simply spring into new life as dealers in a global free market. Much of the economic infrastructure, including higher-level cooperative federations, fell apart. It is arguable that the harsh remedy of ‘structural adjustment’ made things worse, because the disciplines of the free market were applied without any of the opportunities, and because the global market – particularly in the agricultural sector - was far from free. In fact, rich countries spend more than £300 billions a year – nearly six times official development aid - on subsidizing their own farmers, while the OECD countries put tariffs on manufactured goods from developing countries that are four times higher than on other OECD countries. As a recent UN development report puts it ‘for economies to function better, other things must fall into place first’\(^3\). Externally, structural obstacles such as high debt levels and barriers to trade must be removed. Internally, economic growth must be pursued in an equitable way that benefits the poor, and an enabling environment must be created that increases the productivity of farmers and nurtures entrepreneurial activity among small and medium-size enterprises.

What is being done about this situation? Is there a way to even up the process of economic development? Can globalisation be made to work for the world’s poor? At the Millennium Summit in New York, in September 2000, the largest gathering of heads of state the world has ever seen committed themselves to the Millennium Development Goals (MDGs). The first seven are: to eradicate poverty and hunger; to achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability. The eighth goal is also a means; to develop a global partnership for development. The goals come with 18 targets and 48 indicators for monitoring progress.

A year before, in 1999, the ‘Bretton Woods’ institutions – the World Bank and International Monetary Fund (IMF) - had decided to base all their lending and debt relief to poorer countries on a common strategy. From now on, they would require that governments seeking financial help should produce a plan showing how they intended to use the money borrowed, or saved through debt relief, to tackle poverty in their countries. The resulting Poverty Reduction Strategy Papers (PRSPs) have become the focus of attention for all the agencies whose job it is to help reach the UN’s millennium development goals.

\(^3\) UN (2003ba) p. 4
\(^4\) Nearly 150 heads of state, and 189 member states in total, endorsed the MDGs

2
In my recent book, *Rediscovering the Cooperative Advantage: Poverty Reduction through Self-help* (ILO, 2003), I explored the relationship between the cooperative form of business and this new institutional setting for development, trying to understand what contribution cooperatives are making, and could make, to the first of the MDGs – poverty reduction.

Cooperatives are essentially self-help groups of people who get together to meet their needs. They come in several forms. Consumer cooperatives provide their members with food and other products they need, while housing cooperatives provide shelter and worker cooperatives provide decent work. Credit cooperatives provide savings and credit, while agricultural cooperatives help farmers to organize the inputs they need to grow crops and keep livestock, and then help them to market and process their products. We will be going into more detail about the different types of cooperative and their potential in Chapter 1. The International Cooperative Alliance (ICA) defines a cooperative as:

> 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. . .

In the recent book, I found that cooperatives do have enormous potential as organizations of the poor, and that their track record over 150 years in lifting whole groups of people out of poverty in the now developed world is substantial. However, I also reviewed the more disappointing history of cooperatives in developing countries, that for the first 50 years after the Second World War were used in a planned, top-down attempt by national governments and international aid agencies to deliver economic growth. This attempt came to an end with the end of the cold war and the era of ‘structural adjustment’, leaving an indelible impression in the minds of many policy-makers at the UN, World Bank and other international agencies that cooperatives had failed.

In fact, cooperatives – as autonomous member-owned businesses - had rarely been tried. The form that had been promoted had never really developed into the kind of people-centred business that had, over the previous 150 years, produced such spectacular gains for farmers, consumers and workers in the now developed world. The book found that the PRSP process required an engine of growth that would provide opportunities for the poor, would empower them while guaranteeing their security, and it argued that cooperatives could provide these. Through case studies of cooperatives in both developing and developed countries, it showed how, under the right conditions, they could substantially reduce poverty among some of the world’s poorest people. The book concluded that the cooperative form has

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5 ICA (1995)
enormous potential for delivering pro-poor growth that is owned and controlled by poor people themselves.

Why do we need a new book? There are two reasons. First, we need to explore the contribution of cooperatives not just to poverty but to all eight of the MDGs. Second, the international debate about the role and potential of cooperatives has moved on since that book was written. Cooperatives have begun to be recognized more clearly by the international community as part of the solution. They have begun to get involved in the country PRSPs, and governments and their advisors have begun to want to include them. As a result, the substantial number of cooperative development agencies that provide help to cooperative sectors in developing countries have been able to begin to influence the process. The book aims to chart these recent developments and to provide some guidance, both for those who see the country poverty reduction strategies contributing to a renaissance of cooperatives, and for those who see cooperatives making a distinctive contribution to the strategies. It is a two-way process. To paraphrase an old saying – Ask not what poverty reduction strategies can do for cooperatives, but what cooperatives can do for poverty reduction strategies.

Chapter 1 explores the contribution cooperatives have made to ‘growth with equity’ in the past, and notes just how large and extensive cooperative sectors are in the present. It shows how recent work by the International Cooperative Alliance (ICA) on cooperative values and principles, and of the United Nations (UN) and International Labour Office (ILO) on a framework for cooperative development have clarified the nature of a cooperative and how it should – and should not - be promoted. Chapter 2 focuses on the MDGs, describing each one of the eight goals in turn and identifying the role and potential of the different types of cooperative in meeting them. Then it explores the relationship between cooperatives and some of the UN agencies, notably the Food and Agriculture Organisation (FAO) and the International Labour Organisation (ILO). In Chapter 3 it looks at what cooperatives have to offer to the World Bank and its country-based PRSPs, and then examines the potential of cooperative development agencies, the international organisations that represent cooperators, and the growing involvement of cooperatives in the national level PRSPs. Chapter 4 provides 10 case studies of cooperatives in developing countries that provide solid evidence of meeting one or more of the MDGs. The conclusion then attempts to provide guidance on how the cooperative option can best be promoted, in the context of the joint ILO/ICA global campaign against poverty.
Cooperatives and development

1

There are many ways of doing business, but there are only a few ways of owning and controlling business organisations. The most familiar ones are joint stock companies, owned by people who invest in them and who take the profits, and public sector organisations, owned by government bodies that specify what public purposes they will pursue. These two types are so prevalent in modern society that we often tend to overlook the others and to engage in simplistic debates about the relative merits of ‘public versus private’. We will not make that mistake here, because there are also family businesses, owned by people who have built up or inherited a company, and philanthropic organisations that are owned in trust by people whose intention is to provide goods or services for other people less fortunate than themselves. Then there are membership-based organisations owned by their ‘users’, people who want to be provided directly with goods or services.

These membership organisations are often – but not always - called cooperatives. The crucial point is that they are a distinctive type of organisation in their own right. In the history of the evolution of modern organisations, they are at least as old as the others and are just as well established in law. For instance, in Britain, where modern organisations developed early, friendly societies were recognised in law in 1793, industrial and provident societies in 1852, while joint stock companies only gained limited liability in 1855. Why do not many people know this? Partly it is because the investor-owned business has recently become the dominant type, its huge size casting a shadow over other types of business. Partly it is because the membership-based type is known by several names – mutual, cooperative, self-help group, business club, economic association - each referring to varying histories, traditions and legal forms. Even if there is a distinct ‘cooperative movement’ it does not contain all member-owned businesses, because not all member-owned businesses call themselves cooperatives.

1.1 COOPERATIVE PRINCIPLES

How, then, can we know what it means to be a cooperative? The International Cooperative Alliance (ICA) defines it as:
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... 

This definition emphasizes that cooperatives are independent of government and not owned by anyone other than the members. They are associations of persons, which can mean individual people but also ‘legal persons’, organizations that may themselves have members. They are united voluntarily, and so people should be free to join or leave. This means that village or neighbourhood associations that include all people in an area, whether or not they want to be members, are not really cooperatives. Cooperatives are designed to meet their members’ needs; philanthropic organizations that are set up primarily to meet the needs of others are not cooperatives. Nor can a cooperative be diverted into meeting needs that have not been sanctioned by the members, without it ceasing to be a cooperative. They are distinguished from shareholding firms by their democratic nature, with voting rights being assigned by person rather than by size of shareholding. In this sense they are ‘not for profit’, but they do produce surpluses that can be distributed to their members in the form of a patronage refund.

The principles on which they are based reinforce this definition. Cooperatives have: voluntary and open membership; democratic member control; economic participation on the basis of membership rather than size of investment; autonomy and independence. Because they are member-owned businesses they need to make a commitment to the education and training of their members, and because they share similar values are expected to cooperate with each other. Finally, though they exist primarily for the benefit of their members, they also have responsibilities to the wider community.

1.2 HOW IMPORTANT IS THE COOPERATIVE SECTOR?

How important is the cooperative sector? What sort of contribution has it made in the past to economic development? Does it still make a significant contribution, or has it been overtaken by the investor-owned business model? Here is a brief overview showing just how important cooperatives are to the economies of most countries. Because cooperatives have developed along several lines, it is important to analyze them according to the logic of each type.

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ICA (1995)
1.2.1 Agricultural cooperatives

The most successful type of cooperative, measured by market share, is the agricultural cooperative. Ever since the industrial revolution turned them into producers of food for distant markets rather than just for local consumption, farmers have needed to take control over three processes: farm inputs (such as fertiliser, seeds and livestock); marketing of the produce; and food processing to add value to the product. They have also needed a supply of credit, to smooth out the seasonal variability in farm incomes. Without a strong membership organisation to meet their needs, farmers are reliant on intermediaries, merchants who often find it easy to exploit them (particularly when they supply credit in exchange for produce or have control over transport systems). It was farmers in the USA who first invented the modern marketing and processing cooperatives in the 1820s, while the first supply cooperatives were set up in Switzerland in the 1860s and credit cooperatives began in Germany at around the same time. However, it was in Denmark that the full potential of this type was realised; there, by the beginning of the 20th century virtually all the needs of rural communities were met by cooperatives.

The agricultural cooperative sector has grown to be a major economic force. The USA has the largest sector; in 1994 there were 4174 farmer-owned businesses with a membership of nearly four million and a turnover of $89 billions. As one commentator recently put it ‘cooperatively owned businesses are considered a major player in rural America’. Its marketing cooperatives have well known brand names such as Land O’Lakes, Birds Eye, Sunkist, and Ocean Spray. These very large cooperatives dominate the sector; just 1.6 percent of the cooperatives have sales of more than $250b millions, and do 57 percent of the business. Similarly, in Canada cooperatives are big businesses, handling 40 percent of farm cash receipts. They are export-led and heavily involved in adding value through food processing; 18 agri-food cooperatives have been ranked in the top 500 corporations, and four – including the two wheat pools – in the largest 100 in Canada. In the Americas Brazil comes next, with an output almost the same as that of Canada, at $12 billions.

In Asia, the Japanese agricultural cooperatives rival those of the USA with an output of $90 billions. 91 percent of farmers are in membership, and they provide an integrated system of marketing, supply, credit and insurance for the whole rural economy. The National Federation, Zen Noh, is the seventh largest trading firm in Japan, its Central Bank is one of the largest banks, and Zenkyoren, the insurance arm, is the largest insurance company in Japan. These are among the biggest businesses in the world. South Korea comes

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5 Torgerson, R (1995) p. 143
6 Nadeau, E and Thompson, D (1996)
next, with a membership of nearly two millions (90 percent of all farmers), and an output of around $11 billions. Its bank is the largest in Korea. India comes next, with a turnover of over $9 billions. India has almost the same turnover, but with a membership of over 140 millions it can claim in this respect to be the largest cooperative sector on earth. New Zealand has only 49 cooperatives, but they have an output of $7 billions a year, and generate 70 percent of agricultural exports. All farmers belong to at least one cooperative. In Australia cooperatives produce only 20 percent of total output. However, as this is the world’s largest producer of wool and beef, second largest of sugar, the total cooperative output is huge. Cooperatives dominate the market in dairying, rice production and fishing.

In Europe, there were in the mid-1990s around 58,000 societies, with 13.8 million members and a turnover of $US265 billion. Some of the market shares are impressive. In France, cooperatives handle 60 percent of the market for table wine, and in Germany the Raiffeisen cooperatives handle more than half of all farmers’ sales and purchases. In Austria, the share of marketing and processing is 60 percent. Everywhere the market share in milk distribution is very high: in France 52 percent, Slovenia 72 percent, Belgium 80 percent, the Netherlands 75 percent, the UK 90 percent, and Norway 99 percent. In Scandinavia, cooperatives are dominant in the market; in Denmark they process 93 percent of dairy products and 96 percent of pork, while in Sweden they are the country’s third largest corporate group, controlling 37 percent of the agri-food industry.

Recently, this sector has begun to face pressures from a rapidly changing and globalising agri-food industry. In response, cooperatives have formed subsidiaries co-owned by external investors, or have opened up their own societies to investment by non-farmer interests. Some have demutualised and become investor-owned. However, in most cases farmers are determined to keep control of their core business, and the future of the sector seems assured. Agricultural cooperatives are really the best known example of a broader type, the primary producer cooperative. Others include fishing and forestry cooperatives. Statistics are hard to find, but we know that the market share of the Korean Federation of Fishing Cooperatives is 71 percent and this is not untypical of the picture in many other countries. In Norway, cooperatives produce 76 percent of forestry products, in Canada 73 percent.

### 1.2.2 Consumer cooperatives

Consumer cooperatives trace their origins back to the Rochdale Pioneers who, in 1844 set up their store in Rochdale, in the rapidly industrialising

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9 Cote, D and Luc, D (1996)
10 See Nilsson, J (2001)
textile belt of northern England. At that time, retailing was provided by small shopkeepers who charged high prices for poor quality, often adulterated food, lending money to their customers and thus preventing them from having much choice\textsuperscript{11}. The Pioneers provided clear principles and a successful business model which were copied all over the world. The key to their success was democratic control by customer-members, coupled with regular payment of a patronage refund which was a proportion of their expenditure in the store. This meant, effectively, that cooperatives offered goods at cost price plus expenses, with no profit being taken. Two business innovations also enabled rapid expansion of this type: the opening of branch stores with professional managers, and the founding of a wholesale society that organised distribution and manufacturing in a vertical chain that delivered high quality goods while preventing profit-taking by anyone other than members. From the 1890s onwards, this movement began to grow in just about every industrialising nation. By the 1920s, the cooperative share of consumer spending had reached such a high level in Britain, France and Germany that some economists began to speculate that cooperation might soon ‘buy out capitalism’ and create a ‘cooperative commonwealth’\textsuperscript{12}. However, increasing competition from multiple chains meant that market share peaked in the 1950s (in the UK at 12 percent of retail sales) and the sector began a slow decline. Faced with a loss of market share and falling surpluses, many cooperatives decided to abandon the patronage refund to members, which meant that the meaning went out of membership. It is this visible decline in the fortunes of a once vibrant consumer cooperative movement that has given cooperatives in developed countries a negative image.

In some countries – France, Belgium, Germany, Austria – the cooperative sector has virtually disappeared, while in others – Canada, the UK, the USA – it has declined steeply. In others it has remained a major player. In Norway, for instance, cooperatives have 25 percent of the market, in Finland 35 percent, Sweden 15 percent. The sector is also strong in Italy and Switzerland. Japan has 670 cooperatives, 14 million members and sales of over £33bn a year. In quality of service, use of new technology and innovation in promoting member involvement, this sector is the leading retailer in Japan. There are signs of new life, also, in sectors that had been in decline. Cooperatives in the UK are rediscovering a sense of cooperative purpose; the largest, Cooperative Group, has become the national leader in convenience store retailing, and is setting new standards for food labelling, fair trade and environmental concern\textsuperscript{13}.

\textsuperscript{11} See Birchall (1994)
\textsuperscript{12} Notably Beatrice Webb in Britain and Charles Gide in France
\textsuperscript{13} Cooperative Commission (2001)
1.2.3 Credit cooperatives

Credit cooperatives have been developed to meet the fundamental human need to find a way of saving and borrowing without taking risks and without handing over too much power to a money-lender. They were invented in Germany, by two business leaders: Raiffeisen, who set up a rural credit banking system linked to the agricultural cooperative sector, and Schulze-Delitzsch, who founded the urban cooperative banks. Both forms spread rapidly, and now in Western Europe there are around 11,000 local and regional cooperative banks, with over 56,000 outlets, a 33 million strong membership and a staff of more than 400,000. Their market share is 17 percent of savings, ranking third after the commercial and savings banks. The French Credit Agricole is the largest bank in the world outside of Japan, the German people’s banks have over 28 percent of the savings market, Rabobank Netherlands 25 percent. Ireland has a strong credit union movement, with 1.6 million people (44 percent of the population) in membership.

Canada has one of the highest concentrations of credit cooperatives. In the French-speaking Quebec region, there are 1300 caisses populaires, with five million members and more outlets than the banks. They have more than a third of the region’s savings on deposit, and make a third of all consumer loans. In English-speaking Canada they have not such a large market share, but in Saskatchewan 57 percent of the population belong to one. In the USA, some very large cooperative banks account for about a quarter of the credit needs of US agriculture. Credit unions are also well established; there are over 12,000 of them, serving 70 million members and with more than $300 billions in assets. They have 13 percent of the consumer credit market and eight percent of consumer savings.

It is not surprising that membership-based businesses have been so successful. Financial services such as savings and loans, lending for house purchase, life and non-life insurance, and pensions provision are all concerned with directing flows of money and spreading risks. They do not really need injections of capital from a separate class of investors. The mutual form, in which members lend, borrow, and agree to insure each other, is effective, provided they do not take too many risks or invest too far from their core business. In the last decade there has been a wave of demutualisations of mutual insurance (UK, South Africa, Australia), building societies (UK), and savings and loans (USA). The reasons given are usually that more capital is needed, or that they need to escape regulatory restrictions, or that they will be more efficient after conversion. There is also a large amount of self-interest among managers who want to enrich themselves with higher salaries and share options, sometimes helped by

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14 See Drake and Llewellyn (2001)
members who will receive large ‘windfall’ payments on conversion. However, most of the cooperative credit sector has stood firm against this trend. In the UK, the building society sector has shrunk to around 30 percent of its previous size, but the remaining societies are outperforming the investor-owned banks and gaining new business. They are also considered by customers to be much more trustworthy than their competitors15.

1.2.4 Housing cooperatives

Housing cooperatives can take one of three forms. House-building cooperatives formed by people in need of housing enable them to build their homes collectively but then to own them individually. Common ownership cooperatives enable tenants collectively to become their own landlord, while market value cooperatives enable them to own a share of the value of the dwellings equivalent to the value of their own home. The oldest form is probably the ‘terminating building society’, which grew up in Britain early in the 19th century, but it was in Sweden and Norway that the continuing housing cooperative was invented. Here, the legal structure for ownership of multi-dwelling blocks favoured cooperatives, with individual households being given the ‘right to occupy’ by being cooperative members. In the second half of the 20th century, a ‘mother and daughter’ structure of cooperatives which included savings banks became the main engine for urban development. As a result, 17 percent of housing in Sweden, and 14 percent in Norway, are now cooperative. In Britain, the USA, Germany and Canada cooperatives are a much smaller minority tenure, but in their common ownership form they provide an alternative to public sector housing (often being developed to take over failing public estates), and in their market value form a way for elderly people securely to house themselves.

1.2.5 Worker cooperatives

Worker cooperatives are, at first sight, quite different from the other types, since they involve employees rather than users of the business. However, people need decent work, secure employment, and fair pay which, just like housing or farm inputs or consumer goods, can be provided through self-help. They began in France in the 1830s, and by the 1860s had spread to Italy, but expansion was slow and uncertain, and the most successful form was the simplest – labour cooperatives hiring themselves out in public works contracts. They suffered from recurring problems caused by the conflicts of interest between members as employees and members as owners. 16 For instance, if they were successful they tended to restrict their membership and become conventional small businesses. They had problems in allow their managers to manage without interference and, because only workers could be shareholders, had difficulty raising capital.

16 For a comprehensive summary see Smith (2003a)
The exceptions are clusters of worker cooperatives in Italy and Spain. The La Lega cooperatives of North Central Italy employ nearly 80,000 members, account for about one eighth of Emilia-Romagna’s GDP, and a far greater share in areas where they are even more concentrated. The Mondragon Cooperative Corporation in the Basque region of Spain employs around 40,000 members, is now the largest business group in the Basque region, and the ninth largest in Spain. It has become Spain’s largest exporter of machine tools, the largest manufacturer of ‘white goods’, the third largest supplier of automotive components in Europe, and included Spain’s fastest growing retail chain, Eroski. In different ways, and without much contact with each other, these two worker cooperative systems have evolved specialised institutions such as banks, social insurance schemes, research institutes, purchasing and marketing consortia, and powerful federal bodies that have overcome the structural problems worker owners face. They provide important lessons for the promotion of worker cooperatives in developing countries and the transition countries of Eastern Europe. 17

1.2.6 Health and social care cooperatives

It is useful to divide health cooperatives into those that provide insurance to enable people to afford health care, and those that actually provide the care. Health insurance mutuals provide by far the largest contribution, in many countries being the main way in which both public and private funding are channelled into health care. In the delivery of care, the pattern is often one of cooperatives providing care until at some point government is able to take over. For instance, in Canada, before the founding of a comprehensive health system in 1966, the wheat producers’ cooperative of Manitoba provided 271 group hospital cooperatives with a membership of over 50,000 people. In the USA, in the 1930s under the New Deal, the Federal Government introduced a rural health program that at its peak served more than 600,000 people, in one third of the rural counties in the US. 18 Health cooperatives were promoted alongside agricultural cooperatives as a way of combating rural poverty, until growing prosperity and withdrawal of government support caused them to close down. Urban-based health cooperatives began to flourish in the post-war period, following the example of the Puget Sound Group Health Cooperative, which is one of the largest consumer-owned health cooperatives in the world, and the seventh largest health maintenance organisation in the USA. In 1995, the National Cooperative Business Association estimated that this consumer cooperative model now covered around 1.5 million members.

In Japan, the agricultural cooperative sponsored movement grew rapidly during the 1930s, followed by a consumer-cooperative inspired movement in

17 Smith (2003b)
18 Figures from United Nations (1997)
urban areas. Until 1961, when a comprehensive public health insurance system began, such cooperatives were the main way in which low-income households could secure medical services. After 1961, they shifted their aims towards preventive health and services for the elderly. In 1995 over 1.8 million households were members, a total membership of around 5.4 millions. There were 118 societies, in 38 of the 47 prefectures. Over 4 million people were treated as in-patients, over 15 millions as outpatients. They had 80 hospitals and 246 clinics, with over 13,000 beds, and employed over 20,000 people. The agricultural cooperatives are also active in health care. In 1993 they had 115 hospitals with over 38,000 beds, 57 clinics, 25 rural health centres, six geriatric health centres, six home visit nursing centres and employed around 37,000 staff. Membership was somewhere between six and seven million households.

There are provider cooperatives of doctors, dentists and other professionals engaged in primary care in many countries. Brazil has the largest system of provider-owned health cooperatives in the world. It came about because in the late 1960s medical professionals felt the need to organise against for-profit providers; like many others before them, they were essentially using cooperatives to eliminate intermediaries who they felt would take unnecessary profits. By 1995 there were 304 cooperatives. Their member doctors totalled 73,000, over 30 percent of the national total of 207,000, and they provided services to around 8 million patients. The largest, Unimed, has promoted similar cooperatives in Colombia, Uruguay and Argentina. In Colombia, Saludcoop is the 23rd largest enterprise and the second largest employer, providing health care for 25 percent of the population.

In developed countries, there is a growing problem of how to care for elderly people. The burden of care of the elderly rests unfairly on women, both those who care for relatives and those who make a living as care workers. These workers may not be poor by the United Nations standard, but they are among the lowest paid workers in developed countries. For these reasons, care cooperatives are being developed in several countries. In Rediscovering the Cooperative Advantage, a case study showed how these are developing rapidly in the USA. There are around forty care cooperatives in the UK, and the sector is expanding rapidly, with local authorities seeing them as alternatives to public sector provision. In Japan, over 30,000 care helpers have been trained, and thirty agricultural cooperatives have signed partnership agreements with local authority social care departments. In Canada, Sweden and the United States cooperatives providing day care for children are important. However, it is in Italy that we find the most established cooperative care sector. Around 2,000 health and social care

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20 See ica.cooperative website
Cooperatives attract about thirteen per cent of the total budget for social welfare. They employ around 40,000 people, and mainly take the worker cooperative form, but increasingly care cooperatives around the world are experimenting with multi-stakeholding, having workers, carers and those being cared for as members.

1.3 THE USE AND MISUSE OF THE TERM ‘COOPERATIVE’

The previous book, *Rediscovering the Cooperative Advantage*, assessed the contribution of cooperatives in the developed world to poverty reduction. It provided this summary:

.. cooperatives began by enabling people to raise themselves above poverty, but later they became a means by which low and middle-income people continued to accumulate economic advantages. They raised whole classes of people out of poverty and prevented them from slipping back into it. Sometimes this meant that poorer people were unable to benefit. At other times the open membership principle meant that the poor did benefit, but not as part of a planned design. Cooperatives were not designed as tools of poverty reduction, but were a means by which groups of people could gain economic advantages that individually they could not achieve.

Looking to the future, the book went on to make a strong argument for the role of cooperatives in poverty reduction. Here, the argument is expanded to include all the other MDGs as well. We have described just how large and extensive cooperative sectors have become, in meeting the needs of their current members. But are they strong enough to take on this larger task? There are two reasons for thinking they might not be. First, because of their large size, cooperatives in the developed world have sometimes lost touch with their members, and experienced a ‘democratic deficit’ and even a loss of meaning. Second, because in the past they were misused by governments, cooperatives in the developing and former communist countries have had to fight against a poor image, and to attempt to undo the damage done by too much state control.

The growth of cooperatives in the developed world into large, powerful businesses with professional managements and large market shares carried some hidden costs. In 1980, Alex Laidlaw wrote a report that described a loss of meaning, a growing uncertainty about what cooperatives stood for, and who they belonged to. 22 There was a danger, particularly in consumer cooperatives, of their becoming just like their competitors and losing their sense of purpose as membership-based organisations. Increasing competition

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22 Laidlaw (1980)
often meant that small, community-based cooperatives had to merge into larger, regional and national conglomerates in order to survive. Large size, reliance on professional managers, and genuine democracy are difficult to reconcile. It was necessary for cooperative leaders to keep a clear sense of the cooperative ‘difference’ and of their mission to serve members, and cooperatives were not always well led. There were some on the periphery of the cooperative sector who chose to reject the idea altogether; UK building societies, US savings and loans, Australian mutual insurance societies, were threatened by demutualization, and many converted to investor-owned businesses, enriching their managers and sometimes their members in the process.

However, recently, in those areas where cooperatives have experienced a loss of meaning, the have begun to recover, to reassert their distinctive identity, to reassert the cooperative ‘difference’ and to begin to see advantages in being an ethical, membership-based business. Of course, there are sectors such as cooperative housing, credit unions, and worker cooperatives that have always kept a clear sense of identity. But it is no exaggeration to claim that there has been something of a renaissance, a rediscovery of confidence, particularly in the consumer cooperative and banking sectors, and among those mutuals who refused to demutualise. 23

The recent book also told the story of how cooperatives were founded after the Second World War in developing countries as a way of modernising traditional economies. The planned use of cooperatives for poverty reduction tended to distort their character, creating vested interests among local politicians, civil servants and national governments that would not allow the cooperative ‘members’ to own and control their own cooperatives. More often than not, the members saw cooperatives as quasi-government agencies that provided useful services but did not belong to them. Cooperatives often benefited middle-income people rather than the poor, they were male-dominated, badly managed and so on. They were propped up by government patronage, and so in the period of structural adjustment that followed the ending of the cold war many of them collapsed.

It could be argued that, even though they were quite weak as business organisations, in most developing countries cooperatives were indispensable as a means of delivering necessary goods and services to otherwise isolated rural populations, and that in this way they contributed to development. There were notable success stories, such as dairy cooperatives in India and coffee cooperatives in Africa. The critique of state-sponsored cooperatives never applied to Latin America, where genuine cooperative movements had been established by immigrants from Italy and Spain who, during the 1930s, were escaping from fascist regimes in Europe. Credit unions seem to have

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23 See Birchall (ed) (2001)
escaped the clutches of political elites, remaining autonomous; in the
Caribbean, for instance, they grew into strong local movements alongside
weak, state-sponsored cooperatives. 24 However, the critique of cooperatives
is fundamentally misplaced, because the organisations being criticised were
not really cooperatives in the first place. Looking back on the history of
cooperatives in developing countries between the 1950s and 1980s we can,
legitimately, reject it as ‘their story’ and not ours.

The history of cooperatives in the former communist countries is an even
clearer story of the takeover of a once-autonomous social movement by
totalitarian governments. 25 Before the Russian revolution in 1917, the
consumer cooperative movement had grown so large that it was the main
provider of essential supplies to urban populations. After the revolution, it
never regained its autonomy, and in 1935 was nationalised by Stalin.
Agricultural cooperatives were abolished in favour of collective farms
which, confusingly, kept the name of ‘cooperative’ while abolishing the
family farms for which cooperatives had been invented. A similar story can
be told of other communist countries; the statistics of cooperative
development were impressive, but at the sacrifice of any real autonomy.

After the collapse of communist regimes, in the 1990s for a time the word
‘cooperative’ was tainted by its past associations, and many cooperatives
were privatised and their assets given away. Then, with help from
international agencies such as the ICA and the ILO, new cooperative laws
were passed and cooperatives were ‘cooperativised’ - given back to their
members and reconstituted as genuine member-owned businesses. In most
former communist countries, cooperative sectors are now growing, both in
size and in confidence.

We can see why, by the 1990s, for all these reasons there was an urgent need
to make clear what we mean by a cooperative. Happily, much has happened
in the last decade to clarify the nature of cooperatives, the way they ought to
be promoted, and the role they ought to play in development. Four initiatives
in particular are important: the International Cooperative Alliance’s updating
of cooperative values and principles, the United Nations’ Guidelines aimed
at creating a supportive environment for the development of cooperatives,
the International Labour Office’s Recommendation 193 concerning the
promotion of cooperatives, and the introduction at national level of new
cooperative laws.

24 See Develtere (1993)
25 See Birchall (1997)
1.4 A NEW FRAMEWORK FOR UNDERSTANDING COOPERATIVES

1.4.1 A new set of cooperative values and principles

In 1995 the ICA completed an exhaustive survey of its members and came up with a clear set of values and principles on which to base the cooperative identity. The previous revision, in 1966, had not emphasised enough the autonomous and independent nature of cooperatives. The values that the cooperative movement agreed were basic to cooperatives are self-help, self-responsibility, democracy, equality, equity and solidarity. There are also ethical values of honesty, openness, social responsibility and caring for others that are not unique to cooperatives, but should also be expressed in practice. The basic values are not just rhetorical but are an essential philosophical underpinning to the seven principles26.

The first principle is voluntary and open membership. It is voluntary because potential members have freely to accept the responsibilities that go with membership (cf the value of self-responsibility). It is open because nobody should be denied membership unfairly who meets the relevant conditions (cf the value of equality). The second principle is democratic member control (cf the values of democracy and equality). Cooperatives must, ultimately, be controlled by their members, even though they may give over some delegated powers to managers and leaders. No matter how large the cooperative becomes, managers and leaders must remain accountable to members. Because these are people-centred rather than capital-centred businesses, every member has one vote regardless of shareholding, though in cooperatives of cooperatives, such as secondary cooperatives and federations, other rules can apply (eg voting weighted by number of members in the primary cooperative) as long as they are equitable.

The third principle is member economic participation. This complex principle is all about the cooperative’s capital and how it is treated. First, members contribute equally to the capital in order to become members. Any further contributions they then make cannot carry voting rights (cf the value of equality in democracy). Then they hold at least part of it in common (cf the value of solidarity). This can be interpreted to mean that the cooperative is not wholly owned by its current members, but that to some extent it is kept in trust from previous, and for future, generations. The principles do not go so far as to say that if a cooperative is wound up the members cannot benefit from ‘windfall’ payments, as has happened in mutuals that convert to investor-ownership. This is a contentious issue. Some people believe that in such a case the cooperative’s equity has to be handed on to another cooperative or to charity, while others believe that members have the right to dispose of their own collective property. Next, the principle says that members usually receive limited compensation on capital subscribed as a

26 See Birchall, (1997) p. 65
condition of membership; this prevents the cooperative rewarding capital rather than membership. They are able to allocate surpluses for the usual purposes of developing the business and building up reserves. Once they have done this, unlike public and philanthropic organisations they can – and should be allowed to - distribute surpluses back to members. However, unlike investor-owned businesses they pay a dividend based on members’ transactions with the cooperative, not on the amount of share capital they own. This is fundamental. In sharing out the rewards gained by cooperating together it reflects the value of self-help, while in returning the surplus to members in a fair way it reflects the value of equity. The fact that they have to decide collectively how much to distribute reflects the value of democracy.

The fourth principle is autonomy and independence. This used to be assumed, and did not have to be spelled out until governments began to provide financial help which brought with it the dangers of servility and dependence. Spelling it out as a principle which can then be enshrined in cooperative laws means that governments will not be able to do this again. The difficulty is in knowing how to convert cooperatives that have never been independent into genuine member-owned businesses. The first act must be to re-register the cooperative under new legislation that gives it the correct identity. Members must be given a voting share, then elections must be held for the board of directors. Debts incurred by previous regimes have either to be written off or taken on as part of a business plan. As cooperators in the ex-communist countries have found, it is a difficult process, but it can be achieved.

The fifth principle is education, training and information. It looks in two directions: internally, the members, their leaders, managers and staff all need different types of training in order to contribute effectively to their cooperative, while externally the cooperative needs to inform the general public about its nature and benefits. The sixth principle is cooperation among cooperatives. At the level of values this expresses solidarity, but the strongest argument for it is at the level of business practices; it recognises that cooperatives will serve their members most effectively when they work together. The traditional way to do this was through secondary cooperatives such as wholesale societies and through sectoral federations, but the principle is equally well expressed through less formal methods such as networks and business clusters. Finally, there is concern for community, which reminds cooperative members that they should feel solidarity with the wider community in which their business is embedded.

These principles are more than just the sum of their parts, but are linked together in complex ways and, when practiced together have great synergy27.

27 A point made by Ian MacPherson (1995) p. 13
1.4.2 United Nations Guidelines and ILO Recommendation

In 2001, the United Nations produced *Guidelines aimed at creating a supportive environment for the development of cooperatives*. The aim was to provide advice to governments and set out broad principles on which national cooperative policies might be based. The message is that, in order to put cooperatives on an equal footing with other types of business organisation, governments have to recognise and take account of their special character. It encouraged governments to recognise publicly the contribution of cooperatives to their economies and civil societies. It pointed to the ICA principles as evidence that there should be cooperative laws that recognise this special character. Such laws would safeguard the autonomy of cooperatives, provide light regulation, and ensure a ‘level playing field’ with other types of business. The guidelines state that cooperative movement should be able to participate fully in the drafting of these laws. There is a sense of urgency here, of wanting to right past wrongs, when the document declares: ‘This process should have as its purpose the early and complete disengagement by governments from the internal affairs of cooperatives’. There is a sense of impatience at not wanting to wait much longer before real cooperatives can be promoted. The guidelines suggest that even before the law is enacted ‘discriminatory provisions should be rendered inoperative as quickly as possible’.

In 2002 the International Labour Conference adopted a new Recommendation (No. 193) concerning the promotion of cooperatives. This revised the ILO’s previous Recommendation dating back to 1966, which reflected the concern of that time with cooperatives as a tool of development, and was restricted to developing countries. Like the UN Guidelines, it draws explicitly on the work done by the ICA to reformulate the cooperative principles. It agrees that governments need to provide a supportive framework for cooperative development, and insists that cooperatives are autonomous associations of persons that have their own values and principles. This means that promoting cooperatives as ‘tools’ of development is wrong; assistance has to be given to the members - to create income-generating activities, gain access to markets, improve their own social and economic well-being – while respecting their autonomy. It goes further than the UN Guidelines in spelling out the kinds of support services governments should make sure cooperatives have access to: human resource development, research and management consultancy, finance and investment, support for marketing, and so on. It also calls on the other two sides of the ILO’s tripartite system – employers’ associations and trade unions – to assist the movement.

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28 UN (2001)
29 Op cit, p. 18
1.4.3 New cooperative laws

In the last 15 years, new cooperative laws have been enacted and old ones repealed in many countries. Between 1988 and 1992, there was intense law-making activity in almost all the ex-communist countries as they attempted to clarify the status of cooperatives and ownership rights over their assets. Then, as cooperative sectors began to assert themselves, there had to be a series of new laws and amendments to get the legal system right. Since 1990, the pressures of structural adjustment and democratic reforms have led 15 sub-Saharan African states to revise their laws; others will follow. In 1995, an Act in Andra Pradesh introduced, for the first time, the concept of cooperative autonomy and self-reliance in India, and ten other states have passed, or are busy drafting, similar laws setting the India cooperative movement free of state tutelage. Fiji, Indonesia, Jordan, Malaysia, Mongolia, Nepal, the Philippines, Thailand and Viet Nam have new laws, while several other countries are in process of revision. Several Latin American and Caribbean states are also revising their laws.\(^3\)

Since 1995, the makers of these new laws have been helped by the new ICA statement of identity and principles, backed up in the last two years by the UN Guidelines and the ILO’s Recommendation 193. Where governments want to restrict the scope of cooperative sectors, cooperators can now appeal to these international standards for guidance and to the ICA and the ILO for help (the latter has helped the governments of over 60 countries with drafting new laws and guidance on cooperatives). A new, more sophisticated understanding of the relationship between governments and cooperatives is emerging, that is beginning to undo some of the mistakes made in the past.

However, in one respect at least – the participation of women – there is more work to be done. Despite the new legislation, there are still factors that impede women’s access to cooperatives. First, some laws still admit only one person per household to membership, on the grounds that voting rights should not be concentrated in large families, or that having more than one member would complicate matters when it comes to using family assets as guarantees. The Andra Pradesh law has removed this condition, and as a result thousands of women have joined. Second, under the wider legal system in several countries married women are considered to be minors, and not able to hold property or do business in their own right. Third, succession rules often prevent women from inheriting their deceased husband’s assets held in the cooperative. More broadly, even in ‘gender-perfect’ legislation there are further barriers such as prejudiced application of the law by male lawyers and a lack of will to enforce it. Cultural inhibitions prevent women

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\(^3\) ILO (2000c) 76-81

\(^3\) Nippierd and Holmgren (2002)
from using the law to gain their rights, and so the idea that a woman is under the ‘guardianship’ of her husband persists.

Where the one-member-per-household rule operates, women have no option but to form their own cooperatives. Yet even here they face difficulties because they may not be able to own land or gain access to credit, they are more likely than men to be illiterate and have poor knowledge of their legal rights. In such cases, new cooperative legislation may be unknown to them. However, in Chapter 4 we will be presenting cases where women have successfully overcome all these barriers, demonstrating that the cooperative can be an emancipatory form of organisation for women as well as for men.

1.5 CONCLUSION

Given the large size and market share of some cooperative sectors, and given the diversity of cooperative forms of business, it would be surprising if they did not have something to contribute to poverty reduction and the other MDGs. However, we have to show not just that they are important, but that can they have a positive effect on the lives of poorer people. We also have to show that they have the potential to empower women, contribute to basic education, health care, fair trade, environmental protection and all the other goals that the UN is promoting. This is the task to which we now turn.
Cooperatives and the Millennium Development Goals

What is distinctive about the Millennium Development Goals (MDGs)? They might seem, on superficial reading, to be merely a wish list of the kinds of aspirations that everyone can agree on. However, behind the goals there is some sophisticated thinking. First, they express a broad, multi-dimensional view of development. In a reaction to the structural adjustment programmes of the previous decade, they go beyond a simple faith in economic growth as a panacea for human ills. They talk of human development, placing human well-being and poverty reduction ‘at the centre of global development objectives’. Instead of seeing poverty just as a lack of income, they define it in terms of a ‘lack of basic capabilities to lead full, creative lives’32. These capabilities include having a decent standard of living, but also living a long and healthy life, being educated, and enjoying political and civil freedoms. They, in their turn, depend on essential conditions such as environmental sustainability, equity (especially gender equity), and an enabling global economic environment. The MDGs are mapped on to both the capabilities and the essential conditions.

Second, the MDGs are based on a set of fundamental values: freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility. One is reminded here of the ICA’s basic cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity, and of the ethical value of social responsibility. Again, on a superficial reading these are just lists of abstract concepts, but like the cooperative values and principles they can be applied in real situations to help us to evaluate progress, and also to rule out some types of action as being incompatible.

Third, the goals are linked to the economic, social and cultural rights set out in the UN’s Universal Declaration of Human Rights. This means they are not just pious hopes but ‘claimable rights’, and action to achieve them is not just charity but an obligation for which we are all – as citizens – accountable.

Fourth, this obligation is spelled out in more detail as ‘a global partnership based on mutual responsibilities between developing and rich countries’. What this means is that developing country governments have the primary responsibility for making the best use of their own resources and governing their countries properly, while rich countries are responsible for ensuring a fair international trading system and providing more money. All of the goals

32 UN (2003b), p. 27
hang together. They are really part of a multi-dimensional understanding of poverty.

2.1 WILL THE MILLENNIUM DEVELOPMENT GOALS BE ACHIEVED?

The track record of global goals is not good. Previous goals that the international community signed up to in the decades leading up to the Millennium included providing health care for all, access to safe water, and universal primary education by the year 2000. Obviously, these goals were not met, though there were modest achievements, and other goals that relied on simple interventions such as mass immunization against infectious diseases succeeded very well. 33

The tracking of progress towards the MDGs depends firstly on having reliable statistics, and the capacity of countries to provide these needs to be ‘considerably strengthened’. 34 Worse still, the figures for Africa do not include those countries torn apart by war and communal violence which, if they were included, would make things even worse35. However, the World Bank’s latest assessment is that the gap between rich and poor is growing, and that unless current trends are reversed the MDGs will not be met36. Others agree, that ‘unless there is radical improvement, too many countries will miss the targets’37. There are ‘encouraging signs of progress in some areas alongside worrying evidence of stagnation and reversal in others’38. In 59 countries, very low starting points, and failures to progress are undermining the whole project. If trends continue as they have been in the 1990s, only the goals of halving income poverty and the proportion of people without access to safe drinking water will be met, ‘thanks mainly to China and India’39. In regional terms, East Asia and the Pacific have made substantial progress, mainly because of high growth rates in China. In South Asia there has been a modest decline. In Latin America and the Caribbean there has been a decline, but the economic crisis in Argentina may reverse this. In Eastern Europe and Central Asia there has been a marked increase in poverty, due to the economic dislocation caused by the collapse of communist regimes. The fact that the numbers are relatively small compared with other regions is small comfort to those in former communist countries who have experienced a steep descent into poverty.

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33 UN (2003b) Box 1.2 p. 31
34 UN (2003c) p. 9
35 Sahn and Stifel (2003)
36 World Bank (2002a)
37 UN (2003b) p. 13
38 UN (2003c) p. 9
39 UN (2003b) p. 2
Sub-Saharan Africa ‘remains the greatest cause for concern’ because, despite a slight decrease in the percentages of people in poverty, because of high birth rates the numbers in poverty continue to rise\textsuperscript{40}. Statisticians have worked out that, on current trends, this region will not reach the goals for poverty reduction until 2147 and for child mortality until 2165. Worse still, trends for HIV/AIDS and hunger are going in the wrong direction entirely. One report suggests that substantial revisions will need to be made in the MDGs to avoid widespread failure to achieve the targets. \textsuperscript{41} This is a depressing conclusion, equivalent to a footballer who cannot score a goal complaining that the goalposts are set too close together, or a high jumper asking for the post to be lowered because she cannot jump that high.

The basic problem is that progress depends on equitable growth of at least three percent per year if the MDGs are to be achieved. But in the three years since the Millennium Declaration growth has slowed to an average of 1.6 percent in the developing countries. Sub-Saharan Africa has seen growth of only 0.7 percent, while in Latin America economies have shrunk by one percent. However, there are encouraging signs; several sub-Saharan nations have seen growth of over three percent recently. Given such a gloomy forecast, it is important that we do not neglect any means by which these trends can be reversed. And given the immensity of the task it is hardly likely that we will find a miracle cure. How far can cooperatives contribute to the achievement of the MDGs? What makes us think that cooperatives might be part of the solution?

\subsection*{2.2 The potential contribution of cooperatives to the MDGs}

\textbf{Goal 1: Eradicate extreme poverty and hunger}

The first goal is to eradicate extreme poverty. The definition of poverty that has been chosen by the UN and its partner organizations is a simple one. It is ‘whether households or individuals have enough resources or abilities today to meet their needs’\textsuperscript{42}. The simplest way of measuring this is by deciding on an income threshold below which people are poor such as the UN’s measure of US$1 a day. This means that more than 1.2 billion (one in five) people are in poverty. During the 1990s the proportion fell from 30 percent to 23 percent. But taking into account the increase in population, the number fell by just 123 millions. This is absolute poverty. Poverty is not the same as inequality, which is a relative measure. The relative position of individuals and households is also important, because the overall level of inequality is an important indicator of the level of welfare among the most unequal. Or, as the recent White Paper from the UK Government puts it, poverty reduction

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\textsuperscript{40} World Bank (2002c) p. 1
\textsuperscript{41} Sahn and Stifel (2003)
\textsuperscript{42} World Bank (2002d)
is faster where growth is combined with equity. It is more easily achieved in less unequal countries because ‘the lower the level of inequality, the larger the share of the benefits of growth that accrue to the poor’\(^{43}\).

In the previous book, strong arguments were made for the role of cooperatives in poverty reduction, and so these arguments will not be made again. It suffices to say here that cooperatives can help raise people out of poverty, because they are essentially income-generating organisations. Furthermore, because they return any surpluses to the members in the form of a patronage refund based on the use people have made of the cooperative, they make sure that growth is equitable. The UN declares ‘All countries…should implement policies that strengthen the links between economic growth and poverty reduction’\(^ {44}\) and goes on to single out growth that does not discriminate against rural areas, ethnic groups or women, and that increases small farmers’ incomes, expands access to land and promotes labour-intensive growth in small and medium enterprises. In many countries, cooperatives are still the main way in which rural people make a living. Where they are working well cooperatives meet these criteria, and should be regarded as a useful part of country policies.

**Goal 2: Achieve universal primary education**

In developing countries, around 80 percent of children are enrolled in primary schools, though in sub-Saharan African it is nearer 57 percent. However, it is the completion rate that matters, and only one in three children in Africa completes primary education. There is a gender gap; girls make up three-fifths of the children who are not in school, while women make up two-thirds of the illiterate adults. Why is this? The main cause is poverty. At the local level, household costs for education, such as fees and uniforms, discourage enrolment, and children are often needed to earn income or do household work. At the national level, public budgets are too low to ensure a quality education, and often the poor get less than their share. Donor support fell 30 percent in real terms during the 1990s. Yet the poorest countries need to provide a basic education for all, if they are to escape their poverty traps. Education contributes to better health and increases productivity.

Cooperators have always been committed to education. When the Rochdale Pioneers began their work in 1844, most of the adult population of Northern England were illiterate, and few children went to school. They made adult education one of their principles, and their levy of 2.5 percent of trading surpluses became the norm everywhere in Europe that consumer cooperatives followed the Rochdale model. At first, cooperative movements in the now-developed countries concentrated on basic literacy and technical

\(^{43}\) DIFD (2000) p. 18

\(^{44}\) UN (2003b) p. 5
education. When the state began to take over primary education they withdrew from this work and concentrated on distinctively cooperative education, emphasising the understanding of cooperative principles and trading practices while continuing to provide support for adult education. In Britain, for instance, the Workers’ Education Association, that had a profound effect on the life chances of so many working people, grew directly out of the cooperative movement.

In every country with a significant cooperative sector, cooperative colleges have been founded to provide training for active members, employees and managers. Some have reached out again to make a wider contribution. Kobe Cooperative in Japan has built and manages several ‘right livelihood’ centres that offer a range of adult education and leisure activities. The Migros cooperative in Switzerland channels much of its profits into a ‘community dividend’ that provides adult education for its members. The Cooperative Group in the UK has for a long time been involved in promoting school cooperatives, but now it has gone further and is funding six specialist ‘cooperative schools’. The Mondragon cooperatives have funded several schools that help to preserve the Basque language.

In developing countries, cooperatives have great potential in the field of literacy training for adults. Some of the case studies in Chapter 4 show how cooperative economic development and functional literacy training go together. Cooperatives are not usually involved directly in providing primary schooling, but where local government fails to provide they often fill the gap, using their own funds to build and support local schools. As local membership-based organizations they can build on primary education by human resource development; enabling members, managers and staff to gain the skills needed in running a business. As local civil society organizations, they can also monitor the quality of education, preventing absenteeism among teachers. Where they raise the incomes of poor people, they enable children to complete primary education. Where they raise the incomes and increase the status of women, this encourages girls to complete their education.

**Goal 3: Promote gender equality and empower women**

The UN includes gender equality as one of its goals because it is important in itself, but also because it is vital to the ability to earn higher incomes, to control fertility, reduce infant mortality and improve reproductive health. What is the record of cooperatives on this important goal? As organisations with an ‘open membership’ principle, we might expect cooperatives to be open to women. But if only one person in each household is allowed to join, women will usually be excluded. This is true in agricultural cooperatives, where a man usually joins on behalf of the farm. There are two ways of tackling the problem: to change the rules so that more than one person in a
household can become a member, or for women to set up their own cooperatives. Both of these options are being tried.

For instance, the previous book offered a case study of women’s cooperatives in Greece. Here, in the 1980s women were given the right to enter agricultural cooperatives alongside their spouses, but they found that this still left them ‘on the sidelines’. The answer was to help them to set up their own cooperatives. In Japan, a third option has been found; to form ‘han’ groups of around 10 women at a more local level than the formal cooperative. This has encouraged the active participation of women. In consumer cooperatives we might expect women always to have had a strong role, since traditionally they have been the consumers on behalf of their families. The Rochdale Pioneers were all men; at that time Britain was a patriarchal society and it was inconceivable that women might get involved in public affairs. The ‘woman with the basket’ was seen as a crucial figure on whose loyalty the cooperative depended, but who was not expected to make decisions. What changed this was the setting up, in 1883, of the Women’s Cooperative Guild. The Guild campaigned for open membership. It educated women and raised their confidence, sponsoring them as candidates not only for cooperative committees but for local government. Progress was slow: by 1891 there were 100,000 women among a one million strong membership and, while 73 had gained places on education committees, only six had gained seats on a society board of directors, and it was to take until the 1920s before a woman became a board member of the Cooperative Wholesale Society.

However, in the period from the 1890s to the Second World War, the women’s guild transcended its role as an organisation of women-as-consumers to become the largest and most effective campaigning organisation of working class women that the world had ever seen. The movement spread throughout Europe, wherever there was a strong consumer cooperative sector. Now most members of consumer cooperatives are women; in Japan, with its han system of bulk-buying, they have reached 95 percent. Everywhere they have gained a place in the governance structure of their cooperatives, but they are still under-represented at higher levels, a problem that the women’s committee of the ICA is campaigning to solve.

In worker cooperatives, membership depends on employment. This is why, in the Mondragon system, women only began to become members in the 1970s, when cooperatives began to be formed in service industries. However, many of the ‘new wave’ cooperatives that were founded in Western Europe and North America around this period were set up deliberately as women’s cooperatives, linked to the wider women’s

45 See the case study in Birchall (2003)
46 Figures from Cole, GDH (1944)
47 See Gaffin and Thoms (1993) for the history of the movement
movement. These have tended to remain small and their numbers difficult to estimate, but they show that when women seek to empower themselves they find the cooperative type of business sympathetic.

**Goal 4: Reduce child mortality / Goal 5: Improve maternal health**

Every year, more than 10 million children die of preventable diseases, while more than half a million women die in pregnancy and childbirth, with such deaths being 100 times more likely in some parts of the world than others. Like education systems, health care is severely under-funded; developing countries rarely spend more than 2-3 percent of an already very low GDP on health services. Again, the poorest do not get their fair share, and there are large disparities between rural and urban areas.

Everywhere that cooperatives have raised people’s incomes, or provided decent work, or healthy housing, or good quality, unadulterated food, or the ability safely to save and borrow money, they have had an effect on the health of children and their mothers. Their effects have been indirect, since cooperatives are not local government, and it is only through public funding and provision that women and children can receive the services they need. Cooperatives have, in the past, had a more direct effect. The Women’s Guild in Britain campaigned successfully to get maternity benefits included in the 1911 Insurance Act, and then gained an amendment that paid the benefit direct to women. Their programme for improved health care through school clinics, maternity centres and municipal midwives was accepted in full by government, and guild members who by this time were local councillors put it into effect. This was, of course, a long time ago. But it shows how potent organisations of women based on cooperatives can be. The Self-employed Women’s Association in India is, in some respects, a modern day version; organisations based on the SEWA model now represent women in several countries.

Cooperatives have also been effective in the provision of primary health care. While maternal and child health are public issues and it could be argued that local government should provide, in remote rural areas there are often gaps in provision. We noted in Chapter 1 how, in the USA, under the New Deal in the 1930s the Federal Government promoted health cooperatives, and how in Canada, before the founding of a comprehensive health system the cooperative movement provided health care for its members. In Japan, the agricultural and consumer co-ops between them were responsible for mainstream health care delivery, until a comprehensive public health insurance system led to their becoming more specialised. Like the retail consumer cooperatives, they have developed the ‘han’ system of small, informal groups of members who take responsibility for their own health.
How applicable is this model to developing countries? In India, in the 1960s 15 health cooperatives were set up in Maharashtra and 87 in Kerala. Funding was provided through consumer member payments and support from the local state. In Sri Lanka, health cooperatives began in the 1960s, mainly to provide services to members of consumer and agricultural cooperatives. There are now 10 of them, funded by primary cooperative societies (who pay the fees and recover them from members over time), and by public funding. A number of multi-purpose agricultural cooperatives have also provided their own hospitals in rural areas. It seems plausible, then, that the cooperative form should become part of a more comprehensive strategy for implementing these MDGs.

**Goal 6: Combat HIV/AIDS, malaria and other diseases**

Around the world 42 million people are living with HIV/AIDS. In 2002, 3.1 million people died of AIDS. Already, it has killed the mother or both parents of 13 million children, mainly in Africa. The consequences for already weak African economies and public services are disastrous, because it kills the young adults who are most needed. If we add in the damage done by other pandemics such as tuberculosis and malaria, the picture becomes even more alarming. Over 8.5 million people have tuberculosis, which is becoming more and more resistant to drugs and kills up to two million people a year. Every year, malaria infects 500 million people, and one million die from it.

The impact of these pandemics on rural economies is drastic: it causes a loss of labour and community organising skills, loss of farm income that impoverishes women in particular, breaks up mutual aid networks and fragments families, and disrupts children’s education. The impact on cooperatives that are already struggling with the impact of structural adjustment is severe; they already have a shortage of people with the skills and experience to manage a business, and of people with the leadership abilities to run a cooperative on behalf of its members. With this in mind, it seems over-optimistic to ask what cooperatives can do to promote good health, but the cooperative sector is beginning to rise to the challenge.

We now know that progress in slowing down the spread of AIDS is possible, even if there is as yet no cure. In Brazil, Senegal, Thailand, Uganda and Zambia, public health campaigns have made a big difference. What can cooperatives achieve? In Asia, it was estimated that in the year 2000 more than half a million people died of AIDS. This number is expected to reach 800,000 by 2005. In most Asian countries there are large numbers of cooperatives, with enormous numbers of members. The ICA’s Asia and Pacific Region covers 22 countries, and 53 cooperative apex organisations with a combined total of 520 million members; there is a huge network of formal organisation on to which health care can be built.
In most Asian countries, cooperatives are providing health care services and health education programmes for their members. In India, there are 181 hospital cooperatives, and 50 cooperative education field projects providing family welfare and health awareness programmes. During 2002, these projects organised 372 health awareness programmes on HIV/AIDS for their members, from which more than 7000 people benefited. The Indian Farmers’ Fertiliser Cooperative organises regular health care programmes for farmers and their families, with free medical care and medicines, and insurance cover for personal accidents. The National Cooperative Union of India has established four cooperative education field projects for women, which have more than 10,000 members. They conduct monthly awareness workshops on health care, including classes on HIV/AIDS awareness.

This kind of health education input from cooperatives is expected to grow. The ICA has the capacity to reach over 760 million people, in nearly 100 countries. It envisages a ‘systematic programme to raise awareness, encouraging cooperatives around the world to address the HIV/AIDS pandemic within their own organizations and the communities they serve’. The ICA’s regional organisation, ICAROAP, has a specialised body, the Asia-Pacific Health Cooperative Organisation that has begun a project for prevention of the spread of HIV/AIDS among cooperative members, targeting particularly women and young people. This will extend current work in India to three countries, then to all countries with a high prevalence of HIV.

In addition to contributing to public health campaigns, cooperatives are a means by which people can gain micro-insurance against illness. This is particularly important in Latin America, and in Senegal and Burkina Faso. They are also a means by which groups of health care providers can become more effective; pharmacy cooperatives in Ghana are notable, and cooperative clinics in Benin. They are also a means of improving delivery of care specifically for AIDS sufferers. Already, there are cooperatives for HIV/AIDS sufferers in Kenya and South Africa. We can expect this sector to grow, and – in its worker cooperative form – to provide decent work for mainly women care worker members in a sector characterised by low wages and job insecurity.

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49 ICA (2004b)
50 For examples of care cooperatives in USA and UK, see Birchall (2003)
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Goal 7: Ensure environmental sustainability

This goal has three distinct targets: to integrate the principles of sustainable development into country policies and prevent the loss of resources; to halve the proportion of people without drinking water; and to improve the lives of at least 100 million slum dwellers.

- to integrate the principles of sustainable development into country policies and prevent the loss of resources

Depletion of the world’s fisheries, soil erosion, water stress, climate change from greenhouse gases, all affect developing countries disproportionately. Some 900 million poor people in rural areas depend on natural products for their livelihood, and degradation of the natural world directly affects their incomes. Also, they are vulnerable to the shocks caused by environmental change that can easily plunge non-poor people into poverty. All the agencies involved in this issue agree that it is essential to involve local people in the solutions, defining their property and user rights, involving them in managing resources, and so on. We will see in some of our case studies how cooperatives and self-help groups are doing this in relation to the management of forests and water resources.

- to halve the proportion of people without drinking water

During the 1990s, the proportion of the world’s population with access to safe drinking water increased from 77 per cent to 82 per cent\textsuperscript{51}, but there is still much to be done. In Africa one person in three does not have access to safe water and, if current trends continue, by 2020 the numbers of people without proper services will have doubled.\textsuperscript{52} In rural areas access to safe water is a worse problem than lack of sanitation. It is associated with gender inequity, since in many areas girls and women have to spend three hours a day fetching water. In the past, governments took a top-down approach, often providing equipment with no plan for ongoing maintenance. The emphasis now is on partnerships between community groups and government, whereby people are encouraged to maintain their own water supplies. For instance, in Côte d’Ivoire a national water supply programme has established community water groups that manage 13,500 water points. This has reduced breakdown rates from fifty per cent to eleven per cent, at one third of the previous cost.\textsuperscript{53} In Albania, a World Bank financed project has led to the setting up of water users associations, owned and controlled by the farmers themselves. At first, these were organised at the village level, but then were reorganised to cover single water sources. By 2001 there were 408 associations covering 200,000 families, one third of the entire population.

\textsuperscript{51} United Nations (2002)
\textsuperscript{52} Water and Sanitation Program (2002)
\textsuperscript{53} World Bank (2001b)
In urban areas, rapid urbanization has dramatically increased the demand for water, but the supply has not kept pace. During the 1990s, the numbers without safe water grew by 62 million. Many of the migrants from rural areas who live in shantytowns on the edge of cities do not have piped water, and suffer from water-borne diseases. Those who live in the established parts of town rely on water systems that have not been maintained and are leaking and unreliable. In most countries services are provided by the public sector, but during the 1990s the World Bank supported privatisation to large transnational water companies. Who should provide? Certainly the public sector’s record is not good. A study of Conakry in Guinea shows that before a public-private partnership took over, the public agency was inefficient, overstaffed and virtually insolvent. Fewer than 40 percent of residents had access to piped water, quality was very low and the water was often polluted.

What about private provision? During the 1990s, private sector solutions were introduced into several cities such as Buenos Aires, Mexico City, Abidjan, Accra, Manila and Djakarta. Now the UN has looked at the evidence and come out against such privatisation, because the companies have found ways of excluding poor people:

*The supposed benefits of privatising social services are elusive, with inconclusive evidence on efficiency and quality standards in the private relative to the public sector. Meanwhile, examples of market failures in private provisioning abound.*

High user fees have caused water supplies to be cut off in South Africa, and provoked serious protests in Bolivia and Argentina. In the successful case of Guinea, mentioned above, the researchers admit that ‘most of the gains might have accrued to middle and high income consumers’, and the high price of water and high connection fees make it very difficult for low income users to connect to the system. Who, then, should provide? The UN Development Report for 2003 says that service provision is best provided by local communities and firms, and it is the government’s role to build their capacity. This provides an opportunity for water cooperatives to be considered as one important option; one of the case studies in Chapter 4 will be of an urban water cooperative.

- to improve the lives of at least 100 million slum dwellers

Around a third of the developing world’s urban population lives in slums, where they have to put up with overcrowding, substandard housing and unsafe water and sanitation, resulting in high rates of disease and infant

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54 UN (2003b)
55 Clarke, Menard and Zuluaga (2002)
56 UN (2003b) p. 113
In the least developed countries, and Sub-Saharan Africa, the figure reaches more than 70 percent. Because of the influx of people from rural areas, and the rise in the existing population, the problem is destined to get worse. It is worst for people living in informal settlements, where they have no title to the land and are threatened with eviction. The main way in which they can improve their lot is by forming neighbourhood associations to gain legal title to the land, and to persuade local governments to provide essential services.

What is the record of cooperatives on improving the lives of slum dwellers? They can be distinguished from these neighbourhood associations by being more directed at meeting the needs of members, rather than representing all the people in an area. However, this is a fine point, and they rely on the same process of self-organisation by poor people to try to improve their lot. In developed countries, housing cooperatives have been an alternative to slum clearance and a way of taking over failing estates on behalf of their residents. For instance, in the USA in the 1970s tenant management cooperatives were formed to run out-of-control public estates. In England during the 1980s many new build cooperatives were formed to house people living in poor quality public housing. In Scotland, over 30 cooperatives were formed to buy run down ‘council’ estates and refurbish them.

Perhaps the most dramatic example is New York. A case study in the previous book told the story of how, in the 1960s the City began foreclosing on thousands of landlord-owned properties for non-payment of taxes. The landlords responded by abandoning their tenement blocks or setting fire to them to get the insurance. Tenants responded by forming campaigning organizations and clubbing together to renovate their homes. The City Council sold the tenements for US$1 to tenant cooperatives and gave them low-interest loans for renovation. Now more than 27,000 families live in low-income cooperatives. A recent study has found that resident participation reduces operating costs compared to other forms of rental housing, and that there are wider benefits such as the empowerment of low-income people, increased job opportunities and the chance to accumulate some wealth.

In developing countries, housing cooperatives have also been effective in providing decent accommodation. The New York model is being developed in South Africa and Russia, and one of our case studies of cooperatives in Latin America will explore this option for a whole world region. Another way cooperatives can be effective is in providing shared services to poor people in the informal economy; the previous book introduced the example

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58 UN (2003b)
59 Saegert and Winkel (2000)
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of the Uganda Shoe-shiners cooperative, and in Chapter 4 an updated version will be presented.

Goal 8: Develop a global partnership for development

This goal shifts the focus of attention to the international community and the developed countries, challenging them to create a global partnership for development. Poor countries cannot remove the structural constraints of rich country tariffs and subsidies, patents that restrict access to technology, and unsustainable debt. Also, large transfers of resources are needed from rich to poor nations if the latter are to reach critical thresholds in health care, education and infrastructure, and to improve productivity. During the 1990s the level of development aid fell, at the same time as world prices for primary commodities also fell, which made poorer countries doubly worse off. Despite pledges made recently for increased aid, development assistance will still reach only half of the $100 billions a year that is estimated to be needed. Partly this is because donors need to be convinced that debt relief and aid will have the desired effect. This is where the country-level poverty reduction strategies (PRSPs) come in, as a means by which aid from outside is matched by pro-poor policies at national level. They are also a way in which donor countries and aid agencies can collaborate better with each other and become more effective. Cooperative federations in developing countries, and cooperative development agencies in the rich countries, can – and should - play an important part in this process.

There is one way in which cooperatives in the developed world are already helping, in a small way, to alter the relationship with developing countries – fair trade. The first to do this was the Italian Legacooperative, which now has a range of 25 ‘solidal’ products. Sales have been increasing constantly since the initiative began in 1996, with a turnover of 3.5 million Euros in 2002. The Cooperative Group leads the way in fair trade in the UK; its fair trade coffee and bananas are beginning to take a significant share of its sales, and the members of its area committees are active in promoting fair trade weeks in the stores. In a recent survey, 65 percent of people in Britain say they are ethical consumers, and 41 percent say they have bought organic or fair trade food recently. Clearly, this is becoming the main way in which cooperatives in the north can help cooperatives in the south, and at the same time give their own consumers the chance to show that they care.

The Swiss consumer cooperative, Migros, has gone even further. It has launched a fair trade line of children’s clothes, linking up with farmers in Mali to produce organic cotton, and then sending the cotton to be made into finished goods from factories in India. This enables the farmers to improve their working conditions by avoiding use of chemicals and to gain a better price by organizing in marketing cooperatives. It enables the workers in India to be protected as part of the terms of the contract with Migros.
Consumers in Switzerland are then able to make an ethical choice to support the protection of workers’ rights in developing countries. The scheme has not been without its problems, notably in getting the factory owners to comply, but it is a model that will be replicated.  

2.3 THE UN’S MILLENNIUM PROJECT AND THE TASK FORCES

Given that there are these substantial advantages in putting cooperatives to work in helping to achieve the MDGs, what is the view of the UN on cooperatives? The UN regularly recognizes the contribution of cooperatives to poverty reduction. For instance, in 2003, Kofi Annan’s message on the International Day of Cooperatives was clear; cooperatives are a key partner in the UN system, they are models of self-help and solidarity, and their contribution is ‘unique and invaluable’61. As the previous book made clear, there is no shortage of positive statements recognizing the role of cooperatives in poverty reduction. Given this supportive environment, it is a little disappointing that the MDG literature does not mention cooperatives very often. A recent report of the Secretary-General does endorse the promotion of micro-finance as a ‘best practice’ that enables poor people to create economic opportunities for themselves62, and banks owned by the poor are essentially cooperatives. However, in the latest UN Development Report the only mention I can find is of women’s sewing cooperatives. (Margaret Llewellyn Davies, the inspirational leader of the British Women’s Cooperative Guild in the late 19th century would not have been pleased. She warned of the dangers of letting the Guild degenerate into a ‘sewing circle’).

We should not be too disappointed about this lack of references in the Development Report, which is after all a very high level discussion paper. What is more important is that cooperatives are given a place in the report of the Millennium Project, a research initiative that brings together upwards of 300 experts who are seeking evidence of what has worked so far and what new interventions are needed to accelerate progress towards the goals. The Project has 10 specialised Task Forces, whose job is to recommend operational frameworks that will allow all countries to achieve the MDGs. Though the Project’s final report will not be ready until June 30th, 2005, interim reports from some of the task forces have been published.

Task Force 1, on Poverty and Economic Growth, develops the interesting idea of ‘policy clusters’, all of which need to be addressed if people are to break out of the poverty trap. The clusters include: increased public investments in basic human needs; increased emphasis on human rights for women and other excluded groups; promotion of rural development through

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60 from Migros Annual Report (2002)
61 United Nations (2003d)
62 United Nations (2002d)
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small farm productivity; promotion of competitive urban business environments; and increased focus on rural and urban environmental management. What is disappointing about this report is that it does not consider the organisational methods by which these will be achieved. It talks of increasing productivity through farm inputs and improved road connections to markets, and puts its faith in new technologies to improve yields. Yet it does not consider farmers’ need for supply and marketing businesses that are under their control. In the urban economy, it talks of the ‘need to stimulate private firm growth’, but its prescription mainly relates to methods by which foreign firms and capital can be attracted, not methods – such as cooperative business associations – by which local firms can be strengthened. 63

Task Force 2, on Hunger, is more specific. It is concerned with making markets work for the rural poor, and calls on governments to end discriminatory practices such as stopping the marketing of foods across districts, mismanagement of food aid, and delays in paying farmers through cooperatives. More positively, it recognises the increased capacity for market participation that cooperatives and other farmer organisations provide. It recognises cooperatives as

Institutional arrangements that can potentially reduce the transactional costs of accessing input and output markets, as well as improving the negotiating power of small farmers vis-à-vis large buyers and or sellers

It also sees them as ‘important conduits for knowledge’ concerning farm production methods. The report recognises that in the past cooperatives were set up that ‘existed only in name’, and recommends that such organisations, where they still exist, should be dismantled. However, it notes that the importance of this type of cooperative has re-emerged in Africa in the wake of agricultural market liberalisation, and that new cooperatives and farmers’ associations should be promoted, and physical infrastructure built in the past transferred to them. 64

It is right that the role of cooperatives in rural economies should be highlighted, because this is where their advantages are most evident. It is less clear how they fit into strategies to improve the lives of the urban poor. Task Force 8, in Improving the Lives of Slum Dwellers, sees a need to tackle the exclusion of the urban poor through partnerships between local government, NGOs and CBOs (community business organisations). Here, the poor are seen as likely to organise not through cooperatives but through more general community associations that represent them as residents rather

63 UN Millennium Project (2004a)
64 UN Millennium Project (2004b) p. 150
than as business people. The report mentions micro-credit schemes and community housing associations, and sees a ‘need for local initiatives to support small business and micro-enterprise’, but this is not spelled out any further. 65 This is understandable, since the role of cooperatives is less well understood in relation to urban areas. In Chapter 4 we will be considering a case of a shared service cooperative for very poor self-employed people, and asking what might be the potential of this form of organisation.

2.4 THE RELEVANCE OF COOPERATIVES TO THE UN AGENCIES’ WORK ON THE MDGs

The UN’s agencies are also involved in planning to meet the MDGs. The latest UN Development Report says ‘UN agencies have a vital role in helping countries meet the MDGs, especially through expert assistance’. 66 Each of the UN agencies has to develop a strategy for helping low-income countries to make their national strategies work. Those of particular relevance are the Food and Agriculture Organisation (FAO) and the International Labour Office (ILO), both of which have been working with cooperatives for many years. Also, the UN Centre for Human Settlements (Habitat) has acknowledged the important role of housing cooperatives in contributing to the development of human settlements. (Though housing is not one of the MDGs, it is highly relevant to the improvement of life for slum dwellers, and so we will be looking at this issue in one of the case studies in Chapter 4).

The FAO is concerned with the development of rural economies, with the aim of eradicating food insecurity; the relevance of its work to the MDGs is obvious. In 1996, the World Food Summit pledged to eradicate hunger, with the goal of halving the number of undernourished people by 2015, and this goal was eventually incorporated into Goal 1 of the MDGs. The reasons why the FAO is so concerned to treat reduction of hunger as a specific goal include that it is both a cause and effect of poverty and is predominantly a rural problem. 67 It argues that one way to fight hunger is to raise the productivity and income-generating capacity of small farmers thus reinforcing their resilience to ‘shocks’ such as crop disease or drought.

The previous book showed that the FAO’s attitude to cooperatives is a positive one. It continues to be positive; a recent statement says its aim is ‘building farmer self-help capacities by strengthening agricultural cooperative business competitiveness in liberalized markets’68. Its cooperative development programme provides policy advice to member

65 UN Millennium Project (2004c) p. 43
66 UN (2003b) p. 22
67 FAO Committee on Food Security (2001)
68 FAO (2003), p. 1
countries, guidelines on problems affecting cooperative development, training materials on farmer group development, and so on. It is concerned not just with supply and marketing through cooperatives but with related issues such as environmental sustainability and supply of water for irrigation, on both of which (as case studies in Chapter 4 will illustrate) cooperatives have a role to play. However, the FAO has had to make budget cuts to its cooperative programs for 2004-5, which may threaten its whole rural organization strategy. It has prompted strong calls from the ICA and other organizations representing farmer interests for these cuts to be reversed.

The ILO is made up of representatives from governments, employer organizations and trade unions, giving it a mandate to deal with employment issues of all kinds. The previous book, *Rediscovering the Cooperative Advantage*, described in detail how a fundamental re-examination of its aims and objectives led to its reorganizing around the theme of ‘decent work’, with four strategic objectives: fundamental principles and rights at work, employment, social protection, and social dialogue. It also provided a commentary on the ILO’s four strategic objectives - promoting rights at work, increasing employment and incomes, extending social protection, and strengthening social dialogue – evaluating the potential of cooperatives in relation to each of them.

Since then, the argument has been strengthened by developments in the cooperative field. For instance, on rights at work, and the prevention of child labour and exploitation, I suggested that consumers in developed countries could link up with producer cooperatives to ensure ‘fair trade’. As we have already noted, this activity is expanding fast. In relation to employment and incomes, the previous book described how worker cooperative takeovers have saved the jobs of workers when their firms were in danger of being taken over or made bankrupt by competitive pressures in a rapidly changing business environment. During the 1990s, the privatization of public sector jobs has become a major threat to jobs and incomes. Recently, the job-protection value of cooperatives has been shown in South Africa. Here, members of the National Education, Health and Allied Workers Union (NEHAWU) who worked as security and catering staff and cleaners at several universities were faced with redundancy when their employers decided to contract out their services to private companies. By negotiating with the employers, setting up worker cooperatives and training the workers to run them, the union has saved their jobs and protected their working conditions. It has set up cooperatives at the University of Zululand and the University of the North, so that there are now eight cooperatives, with a combined membership of over 700 members.

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69 ICA (2004)
70 ILO (1999)
Recently, the ILO has been reorienting its decent work agenda to demonstrate its relevance to the MDGs, particularly to the goal of eradicating poverty. It might be thought that access to regular, paid work and safe working conditions are obvious preconditions for poverty reduction, but the case has to be argued. Under the neo-liberal agenda of the 1980s and 1990s, stable macro economic conditions were meant to lead to economic growth which was supposed automatically to benefit the poor. We now appreciate that the connections are not automatic. In particular, growth has to be equitable and accompanied by real increases in employment if its benefits are to reach the poor. The Director-General’s Report for 2003 focuses on this relationship between decent work and poverty, declaring ‘work is the best route out of poverty.’

What does this mean for cooperatives? The strategy for ‘working out of poverty’ includes skills development through vocational training, employment-intensive infrastructure investment programmes, promotion of entrepreneurship among micro and small community-based enterprises, and micro-finance. Central to this approach are participation and inclusion. The Report says ‘Cooperatives are an ideal instrument in such a strategy, and the ILO has long drawn on the strength of the movement’. They are a ‘key organisational form in building new models to combat social exclusion and poverty’. Their members ‘learn from each other, innovate together and, by increasing control over livelihoods, build up the sense of dignity that the experience of poverty destroys’. The Report shows that to reduce poverty substantially requires a major scaling up of community level action. It is this ability to work at the local level to involve the poor in their own economic development that makes cooperatives so valuable. The Report identifies two areas in particular where cooperatives can contribute: the gradual improvement of conditions in, and formalising of, the informal economy; and increasing the incomes of rural workers.

A more recent report has also noted the importance of cooperatives. In 2001, the ILO established a World Commission on the Social Dimension of Globalisation, and its report, published in 2004, recommends that decent work should become not just an ILO goal but a global goal. Arguing that globalisation really impacts on people’s lives in the communities where they live and work, the report calls for local empowerment, investment in participative and democratic institutions, the development of local economies and more attention to indigenous peoples and minorities. It recognises that cooperatives have been a significant instrument in the growth of civil society and community organisations. It goes on to recommend that the ILO support ‘associational approaches’ and cooperatives to

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71 ILO (2003b) p. vi
72 ILO (2003b) p. 9
73 ILO (2004) p. 18
overcome informality, and notes that the ILO’s work with the international cooperative movement is ‘another promising avenue for promoting productivity and enterprise, as well as respect for labour standards’. 74

The report says that there cannot be a fair globalisation without a fair localisation, which could be a slogan for the ILO’s local economy development programme (LED). This programme aims to address the underlying problem that in many countries globalisation has weakened local economic structures, because they do not have the capacity to compete. There is a need for alternative economic strategies that can bring the losers in the global competition back into the game. Attempts to rectify one of the impediments, such as investing in infrastructure or subsidising the attraction of large firms from outside, have failed. What is needed is a tailor-made, holistic strategy for a local area that is based on participation and dialogue, mobilisation of local resources and competitive advantages, and local ownership and management that together will generate decent jobs. These are the elements of an LED strategy. 75 The tools include provision of finance, business development services, training, infrastructure investment, marketing of the attractions of the area, networking with public and private agencies, and coordination of local resources. 76

What is the role of cooperatives in LED? It will, of course, vary from locality to locality. The essence of each strategy is that it builds on the strengths of the local economy, which may or may not include cooperatives. It uses micro-finance methods that almost certainly will involve credit cooperatives of one kind or another. We can identify the cooperative potential by looking more closely at some cases. In Mozambique, conventional micro-credit based on informal village borrowing groups is not practical, as the population is too low and too scattered. Instead, a federation of cooperatives and farm worker associations has been used to lend micro-credit to farmers (with a repayment rate of nearly 100 percent), and an existing credit cooperative has been helped to expand. In Croatia, cooperatives got a bad name under the old communist regime, but the cooperative business model is now being revisited ‘as their potential in fostering cohesion within communities becomes clearer’, and people begin to see them as a way of organising production that spreads the risks. 77 The LEDA in Western Slovenia is supporting three local farmer cooperatives, and has launched a promotional campaign to sensitise small farmers to the advantages of this way of sharing services to strengthen their businesses.

The ILO’s Cooperative Branch is particularly important, demonstrating a unique level of commitment among the UN agencies to a specifically

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74 ILO (2004) p. 46
75 Rodriguez-Pose (2001)
76 Van Boekel and Logtestijn (2002)
77 Salzano (2002)
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cooperative development strategy. It is heavily involved in the LED programme. It is also helping governments to develop national policies in line with Recommendation 193. For instance, in 2002 its policy advisory mission to Guinea-Bissau resulted in a National Policy on Cooperative Development being adopted. It is promoting joint action between cooperatives and trade unions in the informal economy. 78

Particularly notable is its INDISCO programme that has been working with some of the poorest of the poor – tribal and indigenous peoples – in 10 countries in Asia, Africa and Central America. 79 In 1994, the UN General Assembly launched an International Decade of Indigenous Peoples, aimed at highlighting the situation of the more than 300 million people who see themselves as belonging to an indigenous grouping. Dependent on their forests for livelihood, they have developed valuable knowledge systems and environmentally sustainable practices that, if they are recognised and supported, can make a valuable contribution to the MDGs of poverty reduction and sustainable development. Working with indigenous peoples in 20 projects in 10 countries in Asia and Central America, the INDISCO programme has been building the capacity of indigenous peoples, helped by the fact that their traditional institutions are similar to cooperatives and can be strengthened and formalised so as to make their collective voices heard. These cooperatives are ‘starting to play a major role in reinstating their traditional occupations and in protecting cultural heritage’. 80 In addition, revolving loan funds are now being turned into community-based thrift and credit cooperatives, with financial support from one of the largest cooperative banks in the world – Rabobank. This programme is so important that it appears in two of the case studies in Chapter 4.

2.5 A NEW PARTNERSHIP BETWEEN THE ILO AND THE ICA

The ILO has recently signed a Partnership Agreement with the ICA to implement a ‘common cooperative agenda’ aimed at creating decent jobs and reducing poverty81. The new partnership will seek to address the MDGs, with joint programmes and projects for promoting cooperatives worldwide. They have worked together before, on the preparation of Recommendation 193, and in a series of workshops in Asia and Africa promoting decent work in rural areas and the inclusion of cooperatives in the World Bank’s poverty reduction strategies. This time, they intend to design and implement support programmes with national cooperative organizations, to work on scaling up local successes to national level, and to demonstrate the contribution of

78 See Birchall (2001a)
79 See Polat (1998)
80 Polat (1998) p. 105
81 ILO/ICA (2004)
cooperatives to poverty reduction. They will promote cooperatives in accordance with Recommendation 193, respecting cooperative principles but also taking into account the aim of decent work. They will organize a funding campaign among development partners, and will encourage direct movement to movement assistance among cooperatives to strengthen the apex organizations that had been so badly hit during the years of structural adjustment. Finally, the two organizations intend to influence the Poverty Reduction Strategy process, to which we now turn.
Cooperatives and the Poverty Reduction Strategies

This chapter provides a brief introduction to the PRSPs (in Rediscovering the Cooperative Advantage, readers will find a fuller account). It then goes on to discuss the relationship between the country-based strategies and cooperatives. The work of the international financial institutions - the World Bank and the International Monetary Fund (IMF) - forms a parallel track to the UN agencies in relation to the goal of poverty reduction. The Bank has responsibility for the ‘structural, social and human’ aspects of development, while the IMF is responsible for macro-economic stabilization. After being heavily criticized for the ‘structural adjustment’ programmes of the 1990s, the Bank and the IMF decided to base all their concessional lending and debt relief to the ‘heavily indebted poor countries’ on the PRSP for each country. The business plans for each low-income country will be based on them, which means that they are very important to the future of around 70 countries. They are also important to the external development partners who will be providing aid to these countries, as their work will be based on the priorities identified in the strategy papers.

The Bank has five principles underlying its poverty reduction strategies. The work has to be country-driven, so that it results in real action on the ground that is appropriate to the local context. It has to be results-oriented, so that it is not measured merely by the amount of inputs used but by its effects on the poor. It has to be comprehensive in recognizing the multidimensional nature of poverty. It has to be partnership-oriented, involving the coordinated participation of development partners whose work will also be more and more aligned towards the PRSPs. Finally, the Bank sees development as a process of societal transformation, and so expects the reduction of poverty to be a long-term project. There are three key steps needed: to develop a comprehensive understanding of poverty and its causes, to choose the mix of actions that have the highest impact in reducing poverty, and to monitor the process with outcome indicators.\textsuperscript{82}

\textsuperscript{82} ILO (2001c)
3.1 **OPPORTUNITY, EMPOWERMENT, AND SECURITY**

Assuming that they get the chance to influence the PRSPs, what can cooperatives contribute? The previous book explored the contribution of cooperatives more systematically through the World Bank’s three notions of opportunity, empowerment and security, and again we will provide just a brief summary of the arguments here. *Opportunity* means that poor people have the chance to lift themselves out of poverty. On the supply side, opportunities are created when economic growth is stimulated and markets are made to work for poor people. On the demand side, poor people must have the capacity to take advantage of the opportunities, and this means building self-confidence through education, training, and self-organization. Cooperatives have a contribution to make both on the supply and demand sides. They open up markets by organizing supply of inputs and marketing of outputs. They provide a means by which credit can be given when needed, and a safe form in which poor people’s savings can be invested. Because they tend, through natural extension, to federate into larger bodies, national and international markets can be opened up. At several times in the history of cooperatives, international cooperative trading organizations have been created that have significantly improved the export potential of producer cooperatives, and the importing activity of consumer cooperatives. 83 The cooperative method can also be used not just directly in productive sectors such as agriculture or handicrafts, but also in the provision of infrastructure such as water supply and irrigation, and in environmental schemes. Wherever, at the local level, the self-organization of the poor is needed – and it is always needed if improvements are to be sustained – there we will find cooperatives or similar member-based self-help organizations.

The second theme, *empowerment*, is defined by the World Bank as ‘the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives’. 84 In the development process, it means that wherever possible poor people should have as much control as possible over the resources being invested, and over the decision-making process. It has been recognized for a long time that without the participation of the beneficiaries it is difficult to make development aid effective. 85 Unless poor people own the solutions being tried, then there will be no solutions, at least none that are sustainable. A World Bank sourcebook on empowerment says that there is no single institutional model for empowerment. However, it is a fair assumption that where people are individually powerless they have to group together in strong local organizations of one kind or another, which will have cooperative characteristics.

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83 See Birchall (1997)
84 World Bank (2001b) Summary: a Framework for Empowerment, p. 2
85 See eg Verhagen (1984)
The World Bank Sourcebook identifies four elements that are almost always present in successful efforts at empowerment: access to information, inclusion and participation, accountability and local organizational capacity. The Bank admits that, while all four elements are present in its projects, the last one, organizational capacity, is the least developed. Its note on the ‘Four Elements of Empowerment’ does not use the word ‘cooperative’ but describes ‘membership-based groups’ that work together to solve problems of common interest. It does not refer to cooperative federal bodies, but does express the hope that these groups will federate at higher levels so as to gain a voice in policy dialogues. 86 This is about as close as one can get to describing cooperatives without using the term. Even if there are strong local organizations, they may still be disconnected from local and central government and from the private sector. Cooperatives can also be isolated, and may like other local groups be high in ‘bonding social capital’ but not be able to find the ‘bridging social capital’ that will link them to others. 87 If they are encouraged to form vertical federations and horizontal networks, and if cooperative laws are passed that recognize their right to do this, they can overcome this problem.

The third theme, security, means taking measures to reduce poor people’s vulnerability to risks. If a risk affects an individual (is idiosyncratic), then conventional insurance can work well. If a risk affects a whole community (is covariant), then it cannot be insured from within the community but has to be dealt with at the country (macro) level. When a shock occurs, people who are not poor can easily slip into poverty. It partly depends on the frequency of shocks, and on the degree of vulnerability. It is a characteristic of the poor and the nearly poor that their incomes tend to fluctuate widely, and any interruption in work through illness or unemployment will soon result in a crisis. People have strategies to manage risk. First, they choose to engage in safer but low–return activities. 88 Second, when they receive a shock they try not to use up their assets such as livestock or savings, even if this means going without food. When they have to resort to moneylenders or to sale of assets, they know that this will lower their ability to cope with further shocks in the future. Third, through savings and loans clubs they build up a source of help for individuals who are in trouble. But there are limits to the extent to which mutual self-help can mitigate large shocks, particularly if these affect everyone in the group. Development agencies need to help poor people survive the shocks without sliding deeper into poverty. 89

86 World Bank (2002f) p. 3
87 See Putnam (2000)
88 World Bank (2001b) p. 138
89 Op cit, Ch.8
What have cooperatives to offer in the management of risk? They can help to reduce the risk to *individuals* through pooling risks at the level of the enterprise. Typically, as soon as cooperatives become large enough they offer their members insurance, and this is becoming particularly important with the impact of HIV/AIDS. Micro-credit enterprises and cooperatives are particularly effective in offering contributory insurance schemes in the informal economy, where often they are the only organizations that can be trusted and have the organizational capacity to collect contributions and pay benefits. As one commentator sums up:

> The success of the cooperative structure and the cooperative philosophy in satisfying the needs of the poor in an effective and flexible manner makes it a good candidate for channelling insurance products to the poor.

Cooperatives also have the capacity to reinsure each other. For instance, the International Cooperative and Mutual Insurance Federation has arranged reinsurance for the Asian Confederation of Credit Unions, to make sure that its micro-insurance programs remain sustainable. In Mali, a national health development programme is using the existing solidarity of mutuals, their member-focus and not-for-profit basis as a way to deliver health insurance to the poor. Cotton workers contribute to a scheme run by their cooperative by providing a proportion of their cotton crops.

Cooperatives and similar organizations can help reduce the risks to whole communities, through connecting them up to wider markets, and diversifying sources of income. Through providing short-term credit and a safe place to put savings, they can help their members ride out seasonal shocks such as harvest failures or falls in market prices. After a crisis, cooperatives have a key role in the recovery process. Self-build cooperatives can help rebuild housing, mutual insurers can help with financing reconstruction, and consumer cooperatives can distribute emergency food supplies (as they did to good effect after the Kobe earthquake in Japan). Agricultural cooperatives can respond to droughts by making more effective use of water, holding grain banks, and so on.

### 3.2 Shortcomings of the PRSP process

The PRSP Sourcebook suggests that the poor must be involved in the process, but the problem is that there are few organizations representing the poor at the national level. Where there are cooperative apex organizations,

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90 Patel (2002) p. 27  
91 Op cit, appendix 4  
92 Parnell, (2001)
clearly they ought to be involved in the process. At the local level, the poor should be directly involved in the development process as partners with NGOs and local governments. The literature emphasizes the need not just for the participation of the poor, but also for their empowerment. The obvious point is that to be empowered the poor usually need to organize collectively. The PRSP guidance is quite vague about what kind of organization might be needed. It would have to be democratic, have economic aims, be owned by the poor themselves, and return the benefits of collective action to them. The cooperative form has all these features.

As the PRSP process continues, the role of cooperatives is becoming better recognized by the Bank. For instance, in the Bank’s recently published set of case studies of poverty reduction, cooperative solutions are mentioned several times. The Anand pattern of dairy cooperative in India is praised for overcoming the barriers of caste, class and power, and improving the lives of the poorest and most low in status. It is accepted that cooperative credit is essential; cases of cooperative finance institutions delivering micro-finance in Mexico and rural credit cooperatives in China make this point. A case of leasehold forestry groups in Nepal (similar to a case in Rediscovering the Cooperative Advantage) shows that aggregating groups into larger cooperative structures is essential to their success. The SEWA women’s organisation is featured, which consists of both a trade union structure and around 100 cooperatives. In the Philippines, Japanese development assistance is providing institutional development support to farmers’ associations and cooperatives, resulting in very large increases in productivity.

3.3 THE COUNTRY PRSPS

The country PRSP is one of the most important instruments for integrating the MDGs into governments’ priorities. It is the ‘national roadmap’ for reaching the longer term MDG targets. By September 2003, 32 countries had completed their PRSPs, while 21 had finalized an interim PRSP. There are several positive aspects to the process. They have encouraged more open dialogue, and the participation of civil society organizations in policy-making. The process has put poverty at the centre, recognizing its multi-dimensionality and highlighting the need for a thorough analysis. The PRSPs provide an opportunity for organizing the myriad international initiatives with which governments in low-income countries are faced. The donor community has embraced the approach and is aligning its priorities with those of the PRSPs. The PRSP can impose policy coherence over different administrations, for example surviving a change from social democratic to

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However, the process is not without its critics. The UN criticizes the strategies for not being demanding enough. Its latest Development Report says ‘Though far from perfect, PRSPs move poverty reduction closer to the centre of development strategies’. They also provide a framework for donor coordination based on national priorities, but they do not yet adequately support the MDGs’. 94 The reason is that they are too conservative, and in being ‘realistic’ and working within the constraints faced by each country, they fail to measure the resources needed to meet the MDGs. The Millennium Compact calls on every developing country to align its development strategy with the MDGs. If the resources available fall short, then developed countries should provide what is needed.

Another criticism concerns the way in which PRSPs are put together at the country level. The development of the country reports is a major challenge for low-income countries. There is evidence that the active involvement of civil society has influenced the content of PRSPs; in Paraguay, for instance, the Bank has held consultative meetings with civil society organizations including cooperatives. But so far this has happened only to a limited extent. Organizations that are out of favour with government, trade unions, women’s groups, and direct representatives of the poor have not always been fully involved. 95 Also, when there is participation it tends to be limited to information sharing and consultation in the preparation of strategies, and to involvement at the local level in targeted poverty reduction programmes. While there is wide participation of pro-poor groups, the evidence so far is that policy is not heavily influenced by them. The design of participation processes is still at the discretion of governments. Efforts still need to be made to reach out to traditionally marginalized groups.

A third criticism is that, while rural development has been incorporated into the strategies, the discussion of the institutional framework for implementation of such development is ‘generally vague’ and so difficult to evaluate.96 This may partly be the result of not taking seriously the question of what kind of organizations are the most ‘pro-poor’. Other criticisms are that ownership of the PRSP is not assured everywhere within government, and that the documents contain a wide array of measures that are based on overly optimistic assumptions and are not prioritized. There is little mention of employment creation measures other than as a by-product of economic growth; we have noted in Chapter 2 how cooperatives can create employment. There is often a lack of manpower for implementing the goals, and a need to build capacity for implementation and to hire new staff. Here,

94 UN (2993b) p. 20
96 Op cit, p. 17
the cooperative sector could help by lending its expertise to the PRSP process at national level.

### 3.3.1 The ILO and the PRSP’s

Since mid 2001, the ILO has sought to engage in PRSP processes, initially in a core set of focus countries, now expanded to include some 15 countries. The overall objective is to develop and promote coherent cross-sectoral strategies and integrated frameworks for connecting the poverty and Decent Work Agenda at the national level. This now centres on three specific objectives:

- Empowering the constituents (ministries of labour, trade unions and employers’ organisations) to influence the drafting and implementation of poverty reduction strategies through social dialogue;
- Incorporating relevant dimensions of the decent work agenda into PRSPs; and
- Influencing development organisations (including multilaterals, bilaterals and NGOs among others) and government ministries and departments (especially ministries of finance) involved in designing and implementing poverty reduction strategies to embrace the principles and rights at work, employment policies and social protection as poverty reducing strategies and to listen to the voices of the ILO constituents.

Generally, the ILO has sought to give more attention to employment and equity in addition to growth in PRSPs, including more coverage of the policy implications related to redistribution through, for example, the development of a fair, efficient and effective fiscal policy, promotion of the core labour standards and so on. It is argued that trade unions, employers’ organisations and labour ministries need to be more systematically integrated into the participatory process underpinning the design and implementation of PRSPs. Without this, the participation and national ownership principles of the PRSP process are seriously undermined. Governments are urged to include a more thorough analysis of employment and other aspects of decent work in their PRSP processes. This should then give rise to a more explicit role for decent work in poverty reduction strategies, and should raise the profile of the ILO’s constituents.

Probably the principal difference between PRSP processes and the structural adjustment programmes which preceded them is the notion of national ownership based on an inclusive participatory process. This is consistent with a greater appreciation today of the need to strengthen the rule of law and democratic institutions and processes, taking into account fundamental rights to organise, enjoy freedom of association, be free from child labour
and forced labour and to enjoy equal rights without discrimination on the basis of gender or other factors. Consequently, social dialogue becomes a vital process in and of itself. At the country level great attention has been placed on building the capacity of trade unions and employers' associations and strengthening tripartism more generally. It is evident that as the ILO and constituents become increasingly involved in PRSP activities their profile and that of decent work is enhanced vis-à-vis others in the international development community. Working relations with IFIs (principally the World Bank) and bilaterals, among others, are becoming more significant and productive. The PRSP process, therefore, constitutes a vehicle through which the voice of the ILO including that of the constituents can be heard at the level of national planning and budgeting. It is through the PRSP process, for example, that the ILO and constituents have acquired a role in donor working groups and PRSP task forces in a number of countries in Africa.

3.4 How far is the cooperative sector involved with the PRSP process?

Despite the important advantages of cooperatives for the PRSP process, in summing up their general experience we have to admit that so far participation has been limited. At the national level, where there is an organized cooperative federation it ought to make a contribution to the strategy process, but such federal bodies have tended to be the first casualties of reduced funding after structural adjustment. Not all governments consider them favourably, and because cooperatives are both civil society organizations (membership associations) and also private businesses, they can be wrongly classified and overlooked.

In the country PRSPs and related reports, we can distinguish perhaps three approaches relating to cooperatives. First, there are reports that have no mention of cooperatives at all, such as those for Senegal, Honduras, Burundi, Nicaragua, Madagascar, Malawi, Niger and Cameroon. Of course, as this is an ongoing process, there is still time for this to be rectified. Then there are reports that mention cooperatives but only as part of a listing of organizations, as in the Burkina Faso report that mentions farmer cooperatives, Pakistan that mentions dairy cooperatives, and Uganda micro-finance institutions. Third, there are reports that really do discuss the cooperative contribution. In Vietnam, the government has resolved to forgive the debts of old parastatal cooperatives, dissolve the ones that are nominal, and provide guidance to encourage the development of genuine cooperatives. In Ethiopia, loans are being offered to the cooperative sector, formation of cooperative unions is being encouraged, a cooperative bank is being founded, and rural credit cooperatives encouraged. Cooperatives are being promoted as part of the agricultural development strategy, as it is
recognized that they have a key role in the rural economy. 23 new primary cooperatives and six secondaries are being set up, with 786 old cooperatives restructured under a new law. In Armenia, again rural poverty is being mitigated through development of the cooperative sector. In Nepal, rural electrification is to be made accessible to cooperatives. In Madagascar, new regulations are being drafted for credit cooperatives, and the revival of the ‘cooperative movement’ is seen as part of the wider revival of the private sector.

The ILO, and particularly its Policy integration Department and Cooperative Branch, has been encouraging the participation of cooperatives in the process, through building their capacity. In Africa, a sub-regional workshop has been held in Dar es Salaam, and two national ones in Kampala, Uganda, and in Addis Ababa, Ethiopia. These have been organized by the Cooperative Branch and the Policy Integration Department, along with the ICA. The aim of the workshops has been to familiarize cooperative managers and leaders with the design, implementation and monitoring of the country PRSPs, and to enable them to participate in them. They have also aimed to sensitize policy-makers to the role of cooperatives in reducing poverty and promoting decent work; at the Kampala workshop the Ugandan government showed a welcoming attitude to cooperatives, inviting them to participate at various levels of policy deliberation.

The findings of the workshops are that when cooperatives are involved, they tend to be discussed in the context of agricultural policy, which is one of the most important parts of most PRSPs. Because of the pivotal position of this issue, they look set to play an even more important role in implementation; governments are aware of cooperatives’ strengths in marketing produce and providing credit. However, their importance can vary widely from country to country. In Uganda, despite the lack of mention of cooperatives, they have had an input into the plan for modification of agriculture, and have been invited by the government to participate at numerous levels of policy deliberation, including on the Social Development Sector review of the PRSP. However, the Uganda Cooperative Alliance has not yet seized the opportunity provided. The movement is weak after the collapse of many secondary societies during the early 1990s owing to the effects of structural adjustment. It faces an unfavourable legal framework, insufficient access to finance, weak linkage to government structures dealing with cooperatives, and isolation due to the previous bad experience with state-guided cooperatives.

In Asia, the ILO is actively involved in the PRSP process in several countries, emphasizing the need for an equitable approach to economic growth, and for a participatory approach to the PRSPs. It is willing and able

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97 ILO (2003b)
to argue the case for cooperatives to be included. As the Director-General’s recent report makes clear, the largest numbers of the poor are in Asia, the largest numbers of them are in rural areas, and in these areas the nearest institutions to the poor are…cooperatives. 98 Recently, the ILO and ICA organized a regional workshop in Bangkok. It shows that the involvement of cooperatives with the PRSP process is further advanced than it is in Africa. For instance, in Indonesia, the greater involvement of cooperatives in the PRSP process is being encouraged. In Mongolia, they are recognized as having a significant role in relation to herdsmen and rural people, and they are being promoted through new legislation and training in cooperative management. In Nepal, developing the cooperative sector is an integral part of the poverty reduction plan, and since the new cooperative law of 1991 they have become a powerful tool of poverty reduction. In Sri Lanka, every village has a cooperative store and a rural bank, though it is recognized that the sector is economically weak. Here, it is recognized that cooperatives can contribute to the PRSP process, but only if their management is improved. In Vietnam, cooperatives have produced 14 million jobs and account for around 20 percent of GDP, and so they have been contributing significantly to the implementation of the poverty reduction strategy. Again, it is recognized that their capacity needs to be strengthened and the obstacles to their continued expansion need to be removed.

In general, Asian cooperatives suffer from lack of resources and a shortage of good managers, and they need strengthening in all aspects of their business. Wide disparities exist between cooperatives at different levels, with the primary cooperatives being weaker than the secondary federations, and with the apex level federations being the strongest. There is still government interference and a lack of autonomy, and clear national policies are needed to clarify the nature of cooperatives, based on the positive examples of India and Malaysia. So what should be done? The Bangkok workshop produced similar recommendations to those in Africa; cooperatives are, and always have been, involved in poverty reduction on behalf of their members, but they need strengthening if they are to become full partners in the PRSP process. 99

3.5 THE WORK OF COOPERATIVE DEVELOPMENT AGENCIES

Non-governmental organizations (NGOs) play a crucial part in the decision as to what sort of people’s businesses to promote. An NGO can be defined as ‘any non-profit, voluntary citizen’s group which is organized on a local, national or international level’. They are ‘task-oriented and driven by people with a common interest’ to perform a variety of services and humanitarian

98 ILO (2004)
99 See ILO/ICA (2003c), and Polat (2003)
functions, bring citizens’ concerns to governments, and so on. The sector is growing rapidly; international NGOs have grown 20 fold from 1964 to 1998, and currently 2,250 of them have consultative status with the UN. The development process is heavily dependent on them; nearly three quarters of World Bank projects involve NGOs, and they are being relied on to achieve the MDGs and take part in the delivery of country PRSPs. They are able to step in when public and for-profit private sectors fail, to advocate for the poor, and to target development aid in a more precise and effective way than other forms of organization. Local NGOs in particular can act as intermediaries between different interests, supporting local communities, managing conflicts and promoting joint learning.

Yet they are only just beginning to become involved with the PRSP process, and there are important questions concerning whether they are too small to achieve the scale of results required, too diverse and unreliable, and not sufficiently transparent or accountable. Like cooperatives, they have some theoretical advantages that may not hold in practice; they may be ‘selective and exclusionary, elitist and ineffective’. They have multiple stakeholders, which means they can be difficult to manage and unable to keep a consistent focus. They can be subject to the same self-interested managerial behaviour as any organization: the desire to build empires, to keep client organizations such as cooperatives dependent on them, to take credit for the achievements of local groups, and so on. However, some of these NGOs are also agencies sponsored by cooperatives in developed countries to work in developing countries. We need to know more about these, and about their actual and potential impact on the way the Millennium Development Goals might be achieved.

First, there are more cooperative development agencies than we might expect. They represent only a small proportion of the NGOs working in development and they raise only a small fraction of the money spent, but they do collectively have an impact both on cooperatives in developing countries and on the international aid system. We can distinguish three levels at which such agencies operate – worldwide, world region, and national.

At the top level, there are worldwide representative bodies. The International Cooperative Alliance (ICA) is the largest, claiming 760 members among its constituent organizations, and representing cooperatives in nearly 100 countries. More specialized are the International Cooperative and Mutual Insurance Federation (ICMIF), the International Raiffeisen Union (IRU) representing credit banks, and the World Council of Credit Unions (WOCCU). The main purpose of all these organizations is to represent and provide services to their members, but because some of their members are in

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100 UN (2003b) Human Development Report
developing countries, they have a natural interest in transferring knowledge and solving their members’ problems. For instance, when in the early 1990s cooperatives in the former communist countries were threatened with privatization, the ICA intervened and helped to persuade governments to pass new cooperative laws reconstituting them as real cooperatives. The ICA derives its development funding from governments and some of the country-based cooperative agencies, and utilizes its decentralized structure of regional offices to deliver mainly capacity-building projects for local cooperative sectors. The ICMIF has 134 organisations in over 66 countries, representing more than 300 insurance companies. Its aim is to strengthen collaboration between them, and to provide technical assistance to new and developing companies. It provides investment income for development projects through its subsidiary body, Allnations, and also raises funds from the international development agencies. Its regional associations and a network of consultants carry out projects, and it provides reinsurance that helps spread risks among its members. The IRU, on the other hand, does not have a development programme, but ‘sees its role rather as a broker promoting exchanges and contacts between its members’

WOCCU has an active development programme, supporting its members with publications, technical seminars, as well as financial and institutional support.

Within the ICA there are several specialized bodies, representing the different types of cooperative. Some of these – for consumer, banking, fisheries, housing, health and tourism – are mainly concerned with knowledge transfer through seminars and publications, but there are two that are worldwide representative bodies in their own right: the International Organisation of Industrial, Artisanal, and Service Producers Cooperatives (CICOPA), and the ICMIF. CICOPA represents worker cooperatives from a wide range of industries, and has over 70 apex organizations from 57 countries in membership. Its aims are to foster the creation of more national-level organizations, to help develop the existing ones, and to promote worker cooperation in developing countries. It does this through encouraging commercial and technical links, as well as exchange of experience and education and training.

Next there is the world region level, with regional organizations for the Americas, for the Portuguese-speaking countries, the European Union, for South-East Asia and so on... The regional work of the Japanese consumer and agricultural cooperative movements is notable, enabling some strong regional federations to emerge in the Asia-Pacific region of the ICA. At the next level down, there are national level cooperative development agencies (CDAs), of which there are three types: apex federal bodies whose main job is to represent their member cooperatives, but who also do cooperative development; large cooperative societies that have the capacity to engage in

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103 Pollet and Develtere (2004) p. 25
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fair trade; and specialist development agencies that are supported by cooperative movements. There is an apex body in most developed countries, and in some countries more than one; in Canada, for instance, there is one for the English-speaking and one for the French-speaking cooperative systems. Some of them are heavily involved in movement-to-movement assistance.

Then there are several large cooperatives that have the capacity to engage in development work, usually through fair trade: for instance Land O Lakes, the huge US agricultural supply, processing and marketing cooperative which has 300,000 farmers and 1000 other cooperatives as members, and Cooperative Group, the UK-wide retail cooperative that also provides joint purchasing for the sector. Finally, there are the specialised agencies supported by the cooperative sector. Almost every developed country has one, some have two or even three.

3.6 WHAT DO COOPERATIVE DEVELOPMENT AGENCIES DO?

It is difficult to estimate how much money is spent by cooperatives in the North on cooperative development; it could be anywhere between 500 and 1000 million Euros\(^{104}\). This is only 1-2 percent of total official development assistance from the OECD countries, and it includes co-financing by governments as well as money raised by cooperatives through employee donations, lotteries or customer donations. There are some innovative methods that could be replicated throughout the sector. For instance, the UK Cooperative Bank donates 1.25 pence for every £100 a customer spends with its dedicated credit cards. The Swedish Cooperative Centre asks consumer cooperative customers to round up their purchases and donate the small change to cooperative development, and they have the added incentive of knowing that the government matches these donations with the same amount of grant aid.

The CDAs have a total of around 500 staff in their headquarters, and 250 expatriate staff working in developing countries alongside another 2800 to 3350 local staff. Being able to tap into the cooperative membership, they supplement this with around 500 to 550 volunteers and between 88 and 97 consultants some of whom are seconded from cooperatives. Their work mainly consists of technical assistance, financial support, and transfer of knowledge and training. Development of inter-cooperative trade is a growing area, with fair trade becoming particularly important. Most of the agencies spend 75 to 80 percent of their budgets in the South, with 80 percent of this expenditure going to cooperatives, 15 percent to micro-finance organizations and the rest to NGOs and local government. The most

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\(^{104}\) Pollet and Develtere (2004) p. 28
regular type of partner is a secondary cooperative or apex federation, followed in roughly equal numbers by primary cooperatives, training institutes linked to cooperatives, micro-finance organizations and NGOs supporting cooperatives. They do not all work deliberately with the poorest people. Some have a strategy of strengthening existing cooperatives so that their effects can be felt more widely, while others have begun to target the poor, particularly through micro-finance. Unlike many NGOs working in development, they tend to have a long time horizon and a long lasting relationship with partners in each country. Since the collapse of cooperative federations during the structural adjustment period, they have been working with lower-level cooperatives, and trying to build networks. There has been a change from a supply-driven to a demand-driven agenda for knowledge transfer, with cooperatives determining what they need and when they need it. Another change has been from a philanthropic to a more business-oriented approach, with loans replacing grants and with an emphasis on business links between cooperatives north and south. They have given up the idea of a ‘one type fits all’ cooperative model, and are working more pragmatically with a range of more or less formal self-help groups that may or may not call themselves cooperatives.

To some extent, cooperative agencies are competing with each other in the same development ‘market’. To prevent unnecessary conflict and duplication, they come together through organizations such as the Committee for the Promotion and Advancement of Cooperatives (COPAC), the IFAP-farmers Agricord, and the US-based Overseas Cooperative Development Council. However, they have a problem of visibility. The federal bodies and large cooperatives that do some development work consider it as ‘a side issue’ to their main work, and they could be doing much more with their tremendous resources, and making development more clearly a part of their mission. The specialized agencies face a different pressure, to conform to the wider poverty reduction agenda and to swap their long-term relationships for short-term project funding. They have not really begun to map their work on to the poverty reduction strategies, and need to practice more of the principle of ‘cooperation between cooperatives’ if they are to have an impact.

One way for these national-level cooperative agencies to become more influential is if they receive more attention and support from their own governments. There is some evidence that this is happening. In 1999, a Belgian law on International Cooperation invited all its development partners to pay special attention to ‘social economy’ organizations in their

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105 All these figures are taken from Pollet and Develtere
106 Pollet and Develtere, p. 55
programmes\(^{107}\). In 2000, the US Congress passed a Support for Overseas Cooperative Development Act that requires the US Agency for International Development (USAID) to promote all types of cooperative in developing countries. It set a new agenda for cooperative development agencies that has five key areas: to test new cooperative solutions; to find ways of adapting western cooperative methods to emerging market countries; to target assistance to local cooperatives in their development stage; to strengthen cooperative networks; and to develop new analytical tools on the strengths and weaknesses of cooperatives\(^{108}\).

In 2004, the UK’s Department for International Development and the UK cooperative movement signed a Strategic Grant Agreement (SGA), that aims to make the UK cooperative movement better informed and able to make a more effective strategic contribution to international development and the MDGs. The SGA will be managed by the Cooperative College, which will publish educational and training materials, develop modules for director education, and disseminate information throughout the movement. It will build new links, and extend existing ones, between the cooperative networks and others involved in development, and will increase the capacity of the UK cooperative movement to help communities in the South. What attracts DFID to the cooperative sector in the UK is that it is both a part of civil society and a set of business enterprises. Much of its surpluses are used for social purposes, it is internationalist, a leading player in the fair trade movement, and “has demonstrated its commitment to working to secure a better deal for people, including those in poorer countries”\(^{109}\). This could become a model for the kind of relationship cooperative sectors in other countries could have with their government’s development departments.\(^{110}\)

### 3.7 Cooperatives and the PRSP Process – the Future

What does all this mean for the PRSPs? There are plenty of reasons why we should be positive about the potential role of cooperatives. There are UN agencies such as ILO and FAO working with cooperatives and recognising their potential. The World Bank is just beginning to recognise that they are an essential part of a country poverty reduction strategy. There are plenty of organisational resources within the cooperative sector’s own international representative bodies and development agencies, and the developed world’s cooperative sector. The task now is to put all these together in such a way that the cooperative potential can be realised.

\(^{107}\) Note, though, that ‘development cooperation’ means collaboration between agencies, not specifically cooperative development

\(^{108}\) Pollet and Develtere, 16-17

\(^{109}\) Dept for International Development (2004) p. 2

\(^{110}\) See Cooperative College/DFID (2004 forthcoming)
What should be done? At the international level, the ILO’s newly formalized relationship with the cooperative movement’s apex, the ICA, will be helpful. The task facing the ICA in particular is to begin to influence the World Bank’s attitude to cooperatives, and to come up with a convincing cooperative development strategy. There is also work to be done here by development agencies sponsored by the more established, and much better resourced, cooperative sectors in developed countries. Together with the ICA, the ILO and FAO, they can try to form a cooperative professional partnership with the Bank and with the Regional Development Banks. In order to do this, it would help if they joined COPAC, to create a truly representative international body for all the cooperative development interests. A new trust fund for cooperative development has also been proposed that would, among other tasks, fund the work towards such a partnership.111

At the national level, what are the conditions for successful cooperative participation in the PRSPs? Where apex organizations exist, they should be strengthened and their capacity increased. Where they do not exist, it will be necessary to use national or lower level cooperatives to begin to engage in the process. Where new cooperative apex organizations are planned, a development centre should be set up first to do the capacity-building. For cooperatives to succeed, they need to work with other players in development, including government, donors and the experts helping to write the PRSPs. There is a need for dialogue and political will to make the process successful. Cooperative should increasingly assume responsibility for their communities, in terms not just of economic development but also of providing basic services and ‘safety nets’ for the poor. In the longer term, of course, there is no getting away from the need to strengthen cooperatives as viable business enterprises, and to expand their ability to add value for their members.

Governments, too, have a role to play. While the environment for cooperatives is improving, there is much that governments have still to do. They should take a lead in beginning dialogue with cooperatives, and should support education, training and audit services. They should make sure that they promote cooperatives in line with Recommendation 193, ensuring their autonomy. They should encourage the population to join cooperatives and provide revolving funds for their expansion. They should assist cooperatives to access wider markets, and should give them priority when privatizing public services.112 Donor agencies also have a role to play. They should review their policies and attitudes towards cooperatives, provide technical assistance, ensure that the consultative process includes cooperatives,

111 Pohlmeier (2003)
112 from ILO/ICA (2003b)
enhance their capacity and recognize them as autonomous, private sector organizations.

We have to admit that at the local level the World Bank and other agencies sometimes find it difficult to work with cooperatives. This is because there are two distinct processes working in parallel. First, there is the need to convince the development community of the role and potential of cooperatives in contributing to the PRSPs. Second, there is the need to strengthen cooperatives in their twin nature as businesses and associations of people. Because cooperatives have, in the past, been weakened by too much government interference, and then by its opposite, the neglect caused by structural adjustment, they need building up. In particular, they need to be given the capacity to contribute effectively to the PRSP process. To use an African phrase, they need to be ‘given an envelope’. We should not forget that cooperatives are almost as poor as their members. In the envelope will be the training cooperative leaders need in order to be able to understand the process, and the financial help needed for them to travel to PRSP meetings. In return, they will undertake to report back to their members and ensure that a wide range of interests – including women and young people - are included in the consultation.

At the time of writing, national-level cooperative sectors in several African and Asian countries have formulated their plans of action for engaging with the PRSPs. Depending on local circumstances and the attitudes of their governments, they will be moving at different speeds in roughly the same direction. They will be helped by the regional networks sustained by the ICA and ILO, and by the international efforts made by these organizations to change the image of cooperatives. In an age of globalisation we should not expect it to be otherwise. There is a saying among green activists that we need to ‘think globally and act locally’. Here we need to be thinking and acting at local, regional and global levels all at once, if the cooperative sector is to participate in the country poverty reduction strategies and make the impact it should on the Millennium Development Goals.
The case study method is useful in illustrating the relationship between the cooperative form and the MDGs. In the recent book, *Rediscovering the Cooperative Advantage*, 11 cases were provided that illustrated the potential of cooperatives in relation to the first MDG, poverty reduction. Here we provide 10 cases with similar criteria for inclusion. As before, the case has to be a genuine cooperative, it should be innovative and forward-looking, so that it shows the potential of the cooperative form, and it must also be replicable. The cases should all be economically viable, and should also be as good as, or superior to, other non-cooperative alternatives that are available. In addition, here there are two more criteria: the cooperatives must be relevant to the poorest people in developing countries, and they must demonstrate that they are achieving not just goal 1 (poverty reduction) but at least one other goal. Again, the level of analysis varies from individual cooperatives to programmes designed to develop cooperatives in a whole region or country. Five of them are new. The other five have been introduced before in the previous book, but the cases are updated and their wider relevance to the MDGs is demonstrated.

### Table: 10 case studies summarised

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CASE STUDY 1: DAIRY COOPERATIVES IN BANGLADESH

Relevance to the MDGs?

- Goal 1 target 1: halve the proportion of people whose income is less than one dollar a day, target 2: halve the proportion of people who suffer from hunger
- Goal 3: Promote gender equality and empower women

Bangladesh is a country of small farmers, who are mostly living on or below the poverty line, and who are subject to the risk of flooding by the rivers and deltas that punctuate the country’s low-lying but fertile flood plains. There are high levels of deprivation, but things are improving: income poverty has declined from 58 percent of the population in 1983 to just under 50 percent in 2000. One reason for the increase in incomes is the success of dairy cooperatives. Milk production provides a daily product that can find a ready market, and there is the added advantage that the farmers’ families can also consume some of the milk, thereby contributing to the health of their children. Milk does have some disadvantages, though. It is perishable and difficult to transport. There needs to be some means of collecting small amounts from large numbers of farms daily, and distributing it effectively to urban areas, so distribution costs can be expensive. To overcome these disadvantages, private dealers often invest in dairies and convert part of the product to less perishable commodities that also have added value. This puts them in a position of monopoly from which they can exploit the farmers. Only organised cooperation by farmers can enable them to break out of the poverty trap.

Shortly after independence in 1974 the government set up the Bangladesh Cooperative Milk Producers’ Union, as part of its Cooperative Dairy Development Programme, with financial and technical help from UNDP and
Case studies

FAO, and grants in kind from the Danish aid agency, DANIDA. Known by its brand name ‘Milk Vita’, the cooperative broke the buyers’ monopoly, and substantially expanded milk production in North East Bangladesh. It became Bangladesh’s leading supplier of fresh milk and dairy products such as butter and yoghurt to the capital city, Dhaka. While at both ends of the production chain – farming and urban milk distribution – it set up cooperatives, the company itself was run by civil servants. The dumping of imported powdered milk affected the market adversely, and Milk Vita was making a loss and in constant need of subsidy.

In 1991 the government withdrew, leaving the Union to be run by an independent board of directors, elected mainly by the 390 village primary milk cooperative societies, and by a newly appointed group of professional managers. The transition to a genuine farmer-owned cooperative was a difficult one, but it was made easier by an ongoing commitment to management training and technical help from the FAO, with continued funding from DANIDA. Soon Milk Vita was in profit. A move to a more commercial business approach helped, along with a higher throughput of milk and a steep decline in the import of powdered milk. From a modest start with a membership of only 4,300 very poor, landless households, it has become a ‘successful commercial dairy enterprise’. In 1998, 40,000 farmer members earned a total of US$9.3m from sale of 30 million litres of milk. In 2000, dividends paid to producers totalled US$1.5m. Milk Vita is planning to expand into four new areas of Bangladesh where traditional small-scale milk production still prevails.

The evidence for poverty reduction is compelling. Farmers’ earnings have increased ten-fold, lifting the household earnings of around 300,000 people (including family members) to well above the poverty line. The returns from farming are reliable and constant. Furthermore, in many households the income from milk production is managed by the women, and so has a direct impact on food security and nutrition. Savings generated from the milk sales help to cushion households against flooding, and 2,200 employment opportunities have been created in the urban areas from milk distribution. In addition, urban consumers benefit from safe, pasteurized milk products. However, there are people who are even poorer, and landless tribal people who were living on the equivalent of twenty US cents a day were not benefiting from the dairy cooperative system. The Grameen Fisheries and Livestock Foundation, sister organization to the Grameen Bank, began by helping these landless people to gain an income through fish farming.

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113 FAO (2001)  
114 Op cit, ‘Impact of the Project’ section  
115 FAO (2002a)  
116 See above report, Table 1
from the FAO, it began to train user groups and created veterinary and breeding services based on the Milk Vita model. Now almost 4,000 villagers have begun to earn an income from keeping cows. They are organized into 880 groups that received micro-credit loans to buy livestock.\footnote{FAO (2002b)} This demonstrates that, with the right kind of technical support, even the poorest rural communities can benefit from agricultural cooperation.

**Lessons learned for the MDGs**

Clearly, this case meets the goal of poverty reduction and, to some extent, the empowerment of women. It is quite easily replicable. The initial investment in livestock is high and a system of veterinary services to maintain it is necessary. However, farm inputs are not expensive and usually consist of low-technology improvements to grassland that are helped by use of the waste products from the animals. We should note, though, that it also takes sustained commitment on the part of governments and international institutions to create a cooperative sector. It can only work when there is a market in nearby urban areas and there is a good road network.

The Bangladeshi experience was modelled on that of India. Here, helped by government support (but not control) and World Bank loans totalling over US$500 millions, a huge cooperative sector has emerged.\footnote{World Bank (2001b) Tools and Practices 13, ‘Poor people’s organizations’} The national federation comprises 70,000 village milk cooperatives with nine million members. They produce thirteen million litres of milk per day, generating an additional annual income of US$90 per family, and adding an estimated 250,000 off-farm jobs to the rural economy. As in Bangladesh, the availability of milk has improved the diet of urban dwellers; per capital milk consumption has almost doubled. As sixty per cent of the milk producers are landless, small or marginal farmers, again this kind of cooperative development has demonstrated that it does help in poverty reduction. Another example is Nepal, where after nearly 40 years of government-sponsored pseudo-cooperatives, a new Cooperative Act allowed a genuine cooperative movement to emerge. The number of dairy cooperatives increased from four in 1991 to 661 in 1995-6, with nine district unions and one central union.\footnote{Munkner and Shrestha (1999)} Clearly, when the conditions are right this form of farmer cooperation can bring real benefits to poor people. One way to help achieve the MDGs must be to find similar situations where dairy cooperatives can be promoted.
CASE STUDY 2: TRIBAL PEOPLE’S COOPERATIVES IN ORISSA

Relevance to the MDGs?

- Goal 1 target 1: halve the proportion of people whose income is less than one dollar a day
- Goal 3: Promote gender equality and empower women
- Goal 7 target 9: reverse the loss of environmental resources

In the 1991 census, India had nearly 69 million people (eight percent of the total population) belonging to 533 tribes. Their welfare depends largely on the performance of the cooperatives set up especially for them by state governments. Yet a recent study of cooperatives for tribal communities in five states makes some depressing findings. The form taken by cooperatives is that of large multi-purpose cooperative societies (LAMPCS), each covering between 10 and 40 villages. They are too big to be viable as a democratically-run organisation, and their governance is flawed. Being multi-purpose, they are expected to provide credit, farm inputs, marketing of produce, and provision of essential consumption goods such as subsidised rice and sugar. This leads to members joining for different reasons (some just to obtain credit), and to a lack of focus in the business. The use of the cooperatives to provide subsidised food, and the need to pay guaranteed prices for crops, result in losses that undermine their profitability. Members do not identify with the cooperative, because often officials do not organise elections and top managers are appointed by government. The result is a cooperative sector that is economically weak. For instance, in Gujarat out of 276 LAMPCS 12 were reported to be dormant, and 161 were making losses.120

In contrast, an ILO programme aimed at providing decent work for indigenous peoples shows how real cooperative economies can be created, to the benefit of some of the poorest people. In the state of Orissa, 22 per cent of the population are tribal. They are the most disadvantaged of the 50 per cent of the rural population who live below the poverty line.121 They are marginal farmers with an average of only one or two hectares of land per household, with mono-cropping of paddy fields, supplemented by the gathering of minor forest products. They face crop failures caused by uncertain rainfall, ecological degradation of the forests, and deforestation. Most of the tribal people are illiterate, many are landless, and are exploited by outside moneylenders. They live in what an ILO report calls an ‘evil circle of economic and social marginalization’.122 Tribal women are particularly marginalized. A survey found that they work harder and over

120 Rajagopalan, S (2003)
121 ILO (2000a)
122 Op cit, p. 3
longer hours than men; alcoholism is a problem among men, and they are often absent from their daily work. In addition, while the level of education is generally low, that of women and girls is particularly neglected. Furthermore, widespread indebtedness has ‘weakened the economic backbone of the people’.\textsuperscript{123}

Government agencies and non-governmental organizations have little contact with these communities. Ownership and tenure of public forests remains unclear. The area is rich in materials providing opportunities for the growth of cottage industries, but because of a lack of skills, education and economic organization they have not been fully exploited. Against this context, pilot projects were set up by ILO INDISCO with its NGO partner, SSADRI, focusing initially on ten villages, with a total population of over 3,000 people. In the second phase of the project, a further 30 villages were added, bringing the total to 40 villages, with more than 10,000 people in some 2200 tribal households. They piloted a participatory approach in one village. Then they expanded it, holding meetings in the villages to identify the people’s needs, and undertaking comprehensive, fact-finding surveys. The focus was on income-generation for women. Self-help groups (called mahila mandal) were formed in each village, organized by the women. They received training and started making leaf cups and plates for sale. This led on to electrification, setting up of work sheds, and installation of machines. Then training courses were held to extend into silkworm rearing, weaving and marketing. The project then moved on to longer-term investments such as a typing course training in tailoring.

While these activities found popularity among the women, more generally the tribal people have preferred to concentrate on their traditional strengths in horticultural production, diversifying into growing a new, fast-growing variety of banana, a high-yielding variety of papaya, and so on. There is great income potential in such diversification, but it excludes the landless and so non-agricultural forms of employment also have to be found. In these ways, so far 2010 jobs have been created. The key to sustainability was a revolving loan fund, but funding constraints meant that the second and third year’s funds could not be released. The villages involved in the first phase of the project pooled their resources with those in the second phase, and some other sources of funding were found\textsuperscript{124}. Eventually, the fund reached 46 per cent of the total population. This enabled rope-makers to buy in more raw materials and thus boost their output, and enabled investment in other industries such as vegetable cultivation, the garment industry, and animal husbandry. Individuals were able to start businesses such as grocery, cycle repair, and bee-keeping. The extra income generated then led to increased spending on schooling and medicines. Encouraged by the low default rate on

\textsuperscript{123} Op cit, p. 4
\textsuperscript{124} Mahanti, D (2003)
loans from the revolving fund, local banks are now lending to villagers in the normal way. The project demonstrated that ‘self-help groups and cooperative structures provide a strong organizational basis for conducting income generation’.125

The key to success was the training of village support workers who are also ethnically tribal, and their daily support of village-level institutions. 46 women’s groups were in process of formalising themselves as six primary producer and 40 savings and credit cooperatives. An apex cooperative, the Multi-purpose Labour Cooperative Society was being set up to provide them with support. The new parallel law adopted by Orissa State promoting self-supporting cooperatives, facilitates such a move, as it rules out state control for cooperatives that are self-financing. This is the first such initiative in a tribal region of the state, and it has evoked much interest. All of this shows a willingness on the part of the development NGO to commit staff time and resources over a long period. Using a consistent participatory approach, they also were able to pace themselves to the speed of change that the villagers themselves were able to cope with. Underlying the project was a commitment to listening to the views of the people, taking them seriously, and providing training and support for those projects that the people themselves felt able to undertake. Participatory self-evaluations enabled the villagers to help measure progress and identify impediments to action. In order to strengthen the organizational base, the project intensified its training of both staff and villagers. The aim of all this ‘capacity building’ is to help the village organisations to stand on their own, and to negotiate directly with government agencies. The involvement of women from the beginning has strengthened the whole process.

The improved links with government have enabled improvements in education and health care. In all ten villages, literacy centres have been established for both children and adults. Ninety health camps have been organised in association with local government public health centres, to teach basic health care issues. There is a role here for traditional development aid; the World Food Programme (WFP) funded a discrete project to bring nearly 200 acres of wasteland into sabai grass cultivation, and invested in the construction of multipurpose buildings in three villages. This shows that there is nothing wrong with the provision of aid, provided it meets the priorities of the people in need, and that the development of indigenous institutions is given first priority.

What about environmental sustainability? The sal trees that grow in the forest and the sabai grass that grows on wasteland are valuable local assets. The local forest department helped develop awareness of the need for conservation. The forest is no longer being burnt and new sal trees are

125 ILO (2000a) p. 23
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growing. In fortnightly meetings between the village organisations, members of the apex cooperative and the youth groups, discussions were held on a range of environmental issues such as how to stop soil erosion, water harvesting and conservation, forestation, and so on. Young people formed groups to catch ‘free riders’ who cut the valuable sal trees to sell to outsiders. But future sustainability will depend on the government granting clearer and firmer rights over the land and its natural products.

The phasing out of the project, while maintaining the organisations and activities that have been supported is admitted to be ‘a major challenge’. Just as the participatory approach begins by pacing itself to the speed and direction of development identified by the people as appropriate, so the disengagement process also has to pace itself to the capacities of the people who remain long after the project has ended.

Lessons learned for the MDGs

In a modest way, this case is obviously helping to eradicate extreme poverty, empower women, and ensure environmental sustainability. It also has indirect effects on primary education and health care. There are some important lessons to be learned from this participatory method of creating cooperatives among people who are particularly disadvantaged. First, it has to be based on a geographical area that suits the potential cooperative members, rather than the artificially created administrative area of a ‘block’ of villages. Then it has to involve them from the start in defining their own needs and potential solutions. Women are the most reliable participants, and setting up micro-credit schemes and producer cooperatives with them is the key to raising the incomes of whole families. Having a new cooperative law is vital for a second phase of development, when cooperative members want to formalise their cooperatives. The project demonstrates that when villagers make reasonable demands there are a variety of organisations in the public, NGO and formal cooperative sectors that can respond. The key to ensuring self-management of the cooperatives after project funding has ended is to tap into these existing resources, particularly to enable members to receive more training. How replicable is this case? Cooperatives have proved their worth in other projects focused on tribal peoples. Another ILO-sponsored project, the INDISCO-Sadguru project working with tribal communities in Gujarat, used the same participatory approach, focusing on the need for water irrigation as well as on income-generating activities. So, providing participatory techniques are adhered to, this type of development is replicable. It is difficult to think of any other alternative that might have the same or better results; the old model of the large multi-purpose governmental cooperative has clearly failed, and there are certainly no incentives for investor-owned businesses to get involved.

126 ILO (2000b)
CASE STUDY 3: THE SAGUAPAC WATER COOPERATIVE IN BOLIVIA

Relevance to the MDGs?

- Goal 7 target 10: Halve the proportion of people without sustainable access to safe drinking water, target 11: achieve a significant improvement in the lives of at least 100 million slum dwellers
- Goal 4 target 5: Reduce the under-five mortality rate

During the 1990s, the proportion of the world’s population with access to safe drinking water increased from 77 per cent to 82 per cent\textsuperscript{127}, but there is still much to be done. In Africa one person in three does not have access to safe water, and if current trends continue by 2020 the numbers of people without proper services will have doubled.\textsuperscript{128} In urban areas, rapid urbanization and the growth of mega cities have dramatically increased the demand for water, but the supply has not kept pace. During the 1990s, the number of urban dwellers without safe water grew by 62 million; and many of the migrants from rural areas who live in shantytowns on the edge of cities do not have access to piped water, and suffer from water-borne diseases. Those who live in the established parts of town rely on water systems that have not been maintained and are leaking and unreliable\textsuperscript{129}. In most countries urban water and sanitation services are provided by the public sector. However, water provision in urban areas has been something of an ideological test case, with the World Bank supporting privatisation to large trans national water companies, and with critics claiming that this is misguided and further disadvantages poor people. Who should provide? The UN has looked at the evidence and come out against such privatisation, because private companies have found ways of excluding poor people. The UN Development Report for 2003 says that service provision is best provided by local communities and firms, and it is the government’s role to build their capacity.\textsuperscript{130}

In Santa Cruz, Bolivia, a consumer cooperative alternative has been developed. Known as SAGUAPAC, the cooperative has been providing the city’s water since 1979. Santa Cruz is in the extreme east of Bolivia, distant from the highland capital city of La Paz. It has grown rapidly from 42,000 inhabitants in 1950 to its present size of over a million. The reasons for choosing a cooperative ownership and control structure are these. First, being neglected by central government, the city developed a strong regional identity. In 1951 a civic movement began that lobbied for payment of oil royalties due to the city. In 1960 they were successful, and used the royalties to form a public works committee. They could not rely on central

\textsuperscript{127} United Nations (2002) a57/211
\textsuperscript{128} Water and Sanitation Program (2002)
\textsuperscript{129} UN (2003b)
\textsuperscript{130} Clarke et al (2002) p. 1532
government, nor on an extremely weak local government whose mayors were appointed by the centre. The private sector alternative was also unattractive, because it had not developed sufficiently to cope with the task. Visiting consultants from USAID had advocated a cooperative model, and citizens could draw on their own tradition of small-scale cooperative banking. In 1959 a cooperative law was passed, and cooperatives were set up for the telecommunications and electricity sectors. All of these factors provided a favourable environment for the water cooperative. In 1973 a publicly owned company was set up, its assets were transferred to a regional development corporation, and then in 1979 to SAGUAPAC, which has been the main supplier of water to the city ever since.

It is a true consumer cooperative. All 96,000 domestic customers are automatically members. They are divided into nine districts, which match the local government boundaries. Every two years they hold a district assembly, at which they elect one third of a six-member district council for a six-year term of office. The elections are supervised by the state regulatory agency for cooperatives. They also elect three delegates to a citywide general assembly, which has 36 representatives. This in turn elects two members to a six-member Supervisory Board. This board oversees the work of an administrative board and appoints the auditors. The administrative board meets twice a month and elects officers who may serve a maximum of three two-year terms of office. The administrative board appoints the general manager.\textsuperscript{131}

One problem is that the turnout for elections is very low; only 2-300 per district, a rate of only 2.5 per cent of water users. Also, the cooperative has failed to expand to cover the outer rings of the city, leading to accusations that it is uninterested in meeting the needs of the poorer shantytown dwellers. Instead, eight smaller water cooperatives have been formed in the outer ring, which provide water coverage for 350,000 people. However, SAGUAPAC’s water charges are low, well within the affordability limit of five per cent of income for unskilled workers. The cost of buying a meter and having water installed is high, but low interest loans are available to finance this. When, in the early 1990s, a private sector company was brought in to do the billing, its policy of cutting off non-payers proved too inflexible, and the cooperative soon took this task back in house.

How does the cooperative compare with other forms of water delivery? A study undertaken by Birmingham University economists has found that it is one of the best-run water companies in Latin America, with a low level of water leakage, a high level of staff productivity and universal metering. It has a low average tariff and high collection efficiency. It is also efficient in its use of foreign loan finance for investment, out-performing two private

\textsuperscript{131} See Nickson (2000), on which this case study is based
Bolivian water utilities. Together with the smaller cooperatives, it provides 90 per cent coverage of the city’s population.

Its cooperative structure is the main reason for its good performance. The cooperative shields managers from the kind of political interference that weakens municipal water companies. It allows for continuity in administration, and the electoral system works against corruption, especially as officers have to stand down for two years every six years.

**Lessons learned for the MDGs**

This case shows that, in the passionate debate between public and private provision of water the cooperative third option ought to be taken seriously. But how replicable is it? Cooperatively owned utilities are common. In the United States they operate more than half the electricity lines, providing power to more than 25 million people in 46 states. In Argentina about 500 cooperatives distribute 19 per cent of the electricity, while 130 cooperatives provide telephone services. Electricity cooperatives are also important in Bolivia, Brazil and Chile. Water cooperatives are important in Argentina, Chile and Colombia as well as in Bolivia.132 The SAGUAPAC model has been copied elsewhere in Bolivia, in the towns of Tarija (1988) and Trinidad (1991), and has proved to be efficient and effective. The goals of the MDGs relating to water have not yet been incorporated into the PRSP process, nor have the PRSPs triggered water sector reform. This means there is still time for the cooperative alternative to be considered.

**CASE STUDY 4 – THE UGANDA SHOE-SHINERS COOPERATIVE**

**Relevance to the MDGs?**

- Goal 1 target 1: Halve…the proportion of people whose income is less than one dollar a day
- Goal 7 target 11 – By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Among urban dwellers, a minority of people in developed countries, and a majority of people in many developing countries have to rely on unregulated, unprotected work in the ‘informal economy’.133 This comes in two basic forms: low-waged, intermittent employment with small, local employers, and the kind of self-employment that is really disguised underemployment. In both cases, the workers tend to remain poor and have a precarious hold on the market. Either they are at the exploited end of a long production chain in the global economy, or they are reliant on restricted local markets. Yet they

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132 ILO (2000c) p. 41-3
133 For a discussion of this concept see Birchall (2001a)
manage to use the strengths they do have - their own labour, the family unit, the technology that is available, and the skills they acquire outside the formal schooling system – to make the best living they can under the circumstances. In the developed world, self-employed people often set up shared service cooperatives that provide them with essential services, such as joint buying, shared facilities, and joint marketing. 134 Though they are not always called cooperatives, they are similar to farmer cooperatives, and they are found particularly among taxi drivers, handicraft workers, building trades, independent professionals, and small retailers. 135 In developing countries this type is found among handicraft workers in Africa and handloom weavers in India.

Here is a good example of this kind of shared service cooperative set up by some very poor people. In 1975, five people working as shoe-shiners in the capital of Uganda, Kampala, decided to form the Uganda Shoe-shiners Cooperative Savings and Credit Society Ltd. Their main aim was to have ‘one common voice of advocacy’ to defend their interests against government authorities. 136 At that time there was a military government, and cooperatives were registered under an Act that gave government direct control over them. In order to operate freely, the cooperative remained unofficial until 1989, when they decided to register formally. There were several reasons for this. There was a new political and economic climate favourable to civil society organizations, informality had been looked upon by suspicion by the wider population as an excuse for dishonesty, and there was an immediate need to represent informal traders against the Kampala City Council, which at that time was trying to restrict their activities.

The early history of the cooperative cannot easily be told, because its informal nature means that no records are available. What can be said is that, given the political instability and lack of support for civil society institutions, this informality was a strength rather than a weakness. Formalization led, in 1994, to the creation of a new organizational structure, with an executive committee responsible to a general assembly, supervising three sub-committees, and regulated by the 1991 Cooperatives Act. It exercised the ‘cooperation between cooperatives’ principle by investing in the Uganda Cooperative Alliance and the Uganda Cooperative Savings and Credit Union, thereby gaining access for its members to cooperative training programmes. The cooperative tried hard to expand its range of business activities and member services. As well as providing a savings and credit service, it attempted to market shoe polish and brushes, and to rent kits, and to invest in new activities such as public transport and real estate. However, as one commentator sums up, ‘the majority of these projects failed due to lack of

135 See Schwettmann (2001)
financial resources’. In 1996 women were allowed into membership. In 1999 the cooperative changed its name to the Uganda Shoe-shiners Industrial Cooperative Society Ltd. At the time of an ILO study in 2000, it was reported to have 370 members divided into two categories: 124 full members and 246 ‘part-timers’ who paid a reduced membership share and did not participate in every aspect of the cooperative’s activities but were able to use its name. Women made up only five per cent of the members. By 2003, with technical and financial assistance from government and a local NGO (Poverty-Uganda), the membership had increased to 627 members, and it had expanded into other districts outside Kampala.

The business plan of the Society aims, by 2017, to cover all the 56 districts of Uganda. Poverty-Uganda is helping with mobilisation of members, training on how to improve their business, and the establishment of new projects (alongside the main activity of shoe-shining) such as savings and credit, shoe brush making and housing projects. Other companies have also strengthened their relationship with the society: the KIWI Shoe Polish Company supplies polish, while Bata Shoes is an outlet for the shoe-brushes made by members. The savings and credit programme has assisted members to save from their small incomes, and to obtain credit to improve their service delivery and to start other income-generating activities. The shoe-brush making project has expanded from an output of 20 per day to 50, and it now contributes 40 percent of the Society’s revenue. With better marketing, they hope to increase this to 70 percent. The housing project is at a standstill, owing to low incomes, but with support it may be resumed in a bid to help members improve their living conditions.

Profitability is still a major challenge, but the Society has improved the quality of life of its members, and has created jobs for a large number of young people. Individuals have expanded into poultry keeping, fish farming and small retailing. It is held back by the very low incomes of its members, and by its own lack of resources.

**Lessons learned for the MDGs**

Shared service cooperatives such as this one have great potential for raising the incomes of self-employed people. But when they are so desperately poor, they do need some help if they are to diversify and raise their members’ incomes. Cooperatives of very poor people will remain just that unless they are connected to wider markets, given opportunities for education and training, and the kinds of supports that all small businesses need in order to grow. There is also a need for networks of such cooperatives to be created, so that they can strengthen their voice with local government and increase their control over supply and marketing of their products and services. Looking

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137 Op cit, p. 55
138 See Kazoora (2002)
back on the history of cooperative development, it is ironic that for a long
time official cooperatives had all the support governments and the
international aid community could find, while informal economy
cooperatives such as this one remained unrecognized and unaided.

CASE STUDY 5 – INDIGENOUS PEOPLE’S ORGANISATIONS IN THE
PHILIPPINES

Relevance to the MDGs?

- Goal 1 targets 1 and 2 on poverty and hunger
- Goal 7 target 9: Integrate the principles of sustainable development
  into country policies and reverse the loss of environmental
  resources.

Around 900 million people live in absolute poverty in rural areas, depending
on the consumption and sale of natural products for much of their
livelihoods. Women are responsible for collecting products and for turning
them into saleable goods. The link between poverty and the environment
runs in two directions – poor people suffer most from pollution, degradation,
and natural shocks, and yet they are often deprived of the right to invest in
the sustainable use of environmental resources. In many countries, local
communities used to manage common land in a sustainable manner, relying
on agreements that had the force of tradition behind them. The privatization
of land on the European model of individual ownership has weakened these
traditional forms so that now there are serious threats from over-use of
common lands and conflicts over who has the right to them. In the
Philippines, tribal people have suffered from illegal logging, government
concessions for mining that have poisoned water systems, and the sale of
land to non-tribal settlers. Forest has been replaced by commercial farms,
and tribal people have been displaced – sometimes by force - to new areas
where they have no security of tenure, or to the cities, where they lose their
culture. Yet the new constitution of 1987 has finally recognised indigenous
people’s right to manage their ancestral domains, and they have been given
the opportunity to register certificates of ancestral domain claims, which will
lead eventually to the award of legal title to the land.

In 1994, the INDISCO programme began a project aimed at testing
innovative approaches to development in 12 pilot sites all over the
Philippines, with a combined population of 90,000. The people were
suspicious at first, because in the past they had experienced ‘top down’
development projects that had gone wrong. As the writer of one case study
puts it ‘The stories about failed projects in tribal areas are like familiar

139 UN (2003b)
refrains from old songs’. There was the failure of a high-profile government program back in the 1970s, occasional dole-outs by NGOs, badly thought out interventions that threatened the traditional way of life. This time things would be different. Indigenous leaders and organisations were identified, and asked to take part in organising a base line study. Training was provided first, and groups were asked to make policies on the use of equipment and on a revolving loan fund before they were made available. The process was led from the start by the local ‘partners’, who identified their own needs, implemented the projects and managed the funds. It helped that staff were hired from among the community, and that trainers were hired who spoke local languages. The projects were based on some key assumptions, that the indigenous culture was valuable in itself, and that the main issue was how to secure and make sustainable the livelihood derived from the ancestral domains.

There were six aims. First was institution building, the strengthening and establishing of culturally anchored community organisations. Some organisations could be revitalised, some had to be created. Five of them are called ‘multi-purpose cooperatives’, four tribal councils, while one is a women’s council, and two women’s weaver associations. Some are membership organisations that people join voluntarily, after observing how they work, but membership of the Bakun Indigenous Tribes Organisation (BITO) is for all residents of the area, both tribal and non-tribal. These community-based organisations were able to build on an existing traditional system of a council of elders who have the power to settle disagreements, and a justice system based on consensus, respect for others and the ability to shame members who do not meet their obligations. The outcome is 12 established community organisations that have a ‘reasonable level of capacity’ to do community development and form partnerships with government agencies, NGOs and private sector. The first of the projects to become self-sufficient is in the Bakun region. Here, the umbrella organisation, BITO, is particularly successful. It has a general assembly, a 15 person council, and eight project staff members. Each of the 15 council members is unanimously chosen by a village, using traditional ways of decision making and conflict resolution. It is supplemented by a federation of women’s organisations, and a youth organisation.

The second aim was capacity building through skills development training. The priority was leadership training, to enable community leaders to be aware of their rights, and assert themselves. Then came management training, enabling people to be less competitive, and, to learn to work

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140 Arquiza (2001) p. 42
141 Malanes (2002)
142 ILO_INDISCO Bakun Project (2002)
143 Malanes (2002)
together. A functional literacy programme was added, tapping into resources from outside the projects, and literacy levels rose by 50 percent. Projects responded to needs discovered through the baseline survey to put on a series of workshops on institution building, preservation and promotion of culture, improving livelihoods, gender awareness, and so on. The common goal was to develop the capability to manage their own natural resources. Women participated fully in the training, more than men in some areas, and there was leadership training for village animators. Particularly important was the provision of information on the Indigenous People’s Rights Act.

The third aim was preservation and promotion of indigenous culture. By incorporating this into the development process, the projects were able to awaken a renewed pride in people’s own culture, even among those who had moved to the city. Older members began to remember their traditions, and were able to provide training to young people in the tribal dances and songs. The tribal justice system was revived, based on consensual decisions and the shaming of offenders. Participants began to re-evaluate the traditional farming methods, of terracing for rice cultivation, leaving of land fallow, intercropping rather than monocropping, and so on. There was a revival of ethnic handicrafts. Most impressive was the rejection by members of one project of a tempting offer from a gold mining company; they decided in favour of preserving their environment for the sake of the ‘green gold’ from their vegetable farms. In the Bakun region, literature on indigenous traditions has been incorporated into school curricula, and an indigenous knowledge centre is planned.

The fourth aim was income and employment generation, through a revolving loan fund. Each partner community was responsible for this, and its success rate varied widely. In some areas farmers could not repay loans because of natural disasters, but in others the repayment was as high as 98 percent. Job skills training was provided, and basic equipment, such as looms and sewing machines bought from project funds. Vegetable farmers used loans to pay for farm inputs, hired labour, a rice mill, rice threshers, a hand tractor and so on, with the machinery entrusted to local associations. There were fish farms and diversification into cash crops such as rice, coffee and bananas. Training was provided for new ventures such as duck raising and new product lines for handicraft workers. The result was that in 2000, after three and a half years of implementation, partner communities had achieved a modest increase in income, varying between 35 and 75 percent. 2500 jobs were created in agriculture, handicrafts, fishery, weaving, and community services. Income levels rose by an average of 44 percent.

The fifth aim was natural resources conservation and environmental protection. There were already community mechanisms for protecting and rehabilitating the environment and natural resources - they had just been overlooked. The system of clan ownership of an area of forest, with its
traditions of regular burning with fire breaks and equal sharing of proceeds, is ideal for sustainable resource use. But restoration is also being undertaken through tree nurseries and replanting of forest, after the extensive logging of the 1980s. Conservation comes naturally to the indigenous people – they have been cultivating their land in harmony with the forest for thousands of years. They have their own sustainable technologies, such as rice terraces, swidden farms, intercropping, and so on, and their spirituality provides a cultural brake system in helping prevent the destruction of their resources. Implementation of the ancestral domain development and protection framework is slow, and proceeds through a process of agreement by consensus, but it is anchored in the indigenous culture.

The last aim is gender awareness; the advancement of the status of indigenous women, through culturally appropriate community mechanisms for increasing gender awareness and sensitivity. The methods have included encouraging women to form their own associations and increase their cash incomes, and providing gender awareness training. By including men in the training, the projects have succeeded in changing minds. Men now share child care and household duties more, while accepting that women participate in decision making. The literacy programmes have also helped boost women’s confidence, and they are beginning to take up leadership positions. Their growing effectiveness is illustrated by successful lobbying for a ban on sale and consumption of liquor in public places.

There have, of course, been problems. There is a lack of market outlets for handicrafts, competition from products from other countries, and a need to improve design quality. Farmers receive depressed prices for vegetables during a glut, and are finding that local markets cannot absorb the growing volumes of new produce such as bananas and ginger. Natural disasters have prevented farmers from paying their loans. Worst of all, in central Mindanao conflict between rebels and government forces is making it difficult for cooperative members to take their goods to market at all. There is a need for expertise in marketing of produce, and finding new markets; the BITO plans to open a new business centre and a community supply cooperative to begin marketing of produce. Most important of all, owing to internal problems and reorganisation at the relevant government agency, the grant of land titles is stalled. Members of tribal communities have proved they are the best people to manage their land, but they still do not have full legal title to it.

Lessons learned for the MDGs

This case shows that it is possible to combine income generation and sustainable development. The method has to be participatory from the start, and it helps that the target population have their own informal organisations and a high level of social capital. How replicable is it? We have already

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144 Malanes (2002) p. 17
noted the way in which tribal self-help groups have taken responsibility for forest management in Orissa, and a similar scheme has been successful in Gujarat. Local self-help groups have also proved their worth in relation to forest management in other countries such as Bolivia, Colombia, Indonesia, Mozambique, Uganda and Zambia. But what sort of group should manage the forest? In Nepal, the government handed over much of it to local communities. However, village-level organizations proved to be ill suited to the task of management, and control of the forests was given to user groups rather than whole communities. This case shows that, whether or not they are called cooperatives, self-help groups of forest users are the way forward.

**CASE STUDY 6 – THE ACOPAM PROGRAMME IN THE SAHEL**

**Relevance to the MDGs?**

- Goal 1, target 2: Halve...the proportion of people who suffer from hunger
- Goal 3: Promote gender equality and empower women
- Goal 7 target 9: Reverse the loss of environmental resources

There is an urgent need to achieve the goal of halving the proportion of people who suffer from hunger, particularly in Africa. Between 1980 and 1995 food production fell in sub-Saharan Africa by eight percent. About a third of the population is under-nourished, and the number is increasing. To meet the goal, more resources have to be directed to agriculture, environmental degradation has to be prevented, and resources have to be shared more equitably. Buffer stocks of food have to be kept by governments. Supposing we were able to initiate a long-term programme of technical cooperation among poor people, one that combines participatory development with relatively large scale. Suppose we were then able to monitor the results. It would be an excellent way of being able to test out the belief that ‘communities hold the key to their own development’, that sustainable development requires the active involvement of local people at all stages of a programme.

This opportunity has been provided in the Sahel region of Africa. Between 1978 and 2000, the ILO ran a programme with the acronym ACOPAM, which covered six countries, including Burkina Faso, Cape Verde, Mali, Mauritania, Niger and Senegal. Funded by the Government of Norway, it cost US$50 million, and benefited directly more than 85,000 people in rural areas.

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145 Munkner and Shrestha (1999)
147 ILO (2002c) p. 5*
areas, who are members of over 2,000 grassroots organizations (including cooperatives and other self-help groups).

The problem was that in the 1970s the countries of the Sahel were suffering from persistent drought, a shrinking of productive land, and death from malnutrition. The only alternative seemed to be migration to the south and into urban areas. As the ILO report on ACOPAM described it:

*The precarious balance between nomadic livestock breeders and settled farmers broke down, and age-old customs and know-how were called into question. The authorities, due to a lack of resources and sometimes also political will were unable to take effective action.*

Faced with famine, international aid agencies could have just poured temporary food aid into the region. Instead, the ACOPAM programme aimed to strengthen the capacity of rural communities to better manage their natural resources, secure increased access to basic services such as credit, education, and primary health care, and to improve the storage, preservation and marketing of their food products. The guiding principles were to act in partnership with the local people, to make a joint diagnosis of the situation, to plan activities and evaluations in a participatory way, and then to plan for withdrawal once the rural population were able to take full control.

The activities have included: self-managed cotton markets, that now sell eighty per cent of Sahelian cotton output; more than 300 village grain banks, with sale of surpluses at non-speculative prices to areas where people have had a poor harvest; savings and credit schemes involving 7,000 members of women’s associations; village irrigation schemes covering more than 3,000 hectares and benefitting more than 25,000 farmers; and village resource management committees set up to deal with land degradation. Conservation and income-generation go together. For instance, planting rows of eucalyptus trees around crop-growing areas helps keep moisture in the soil, while wood production gives the farmers added income. More than half a million trees have been planted throughout the region. Another way of looking at the programme is in terms of job creation; more than 50,000 self-employment opportunities have been created, with spin-offs into local economies for specialists such as vets, craftspersons, and shopkeepers. The projects have extended upwards from these core activities into new regional and national level representative bodies. Mutual health insurance schemes have been built on to them that provide primary health care and manage village pharmacies.

The aim of reducing poverty has been achieved. The evaluation reports confirm that the standard of living has improved, agricultural output increased, food security has been enhanced, and natural resources are better

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148 Op cit
managed. In the development literature it is usual to assume that the background to poverty reduction strategies has to be favourable. However, here the objective of reducing poverty has been attained despite a backdrop of unfavourable conditions, such as irregular rainfall, high population growth, increasing unemployment, deteriorating social services and in some cases lack of democracy. The key to success is the targeting of help to women, who have increased their earnings (for example through vegetable growing) and used them to improve education and health care for their children. ACOPAM has recognized their ‘pivotal role’ in rural societies, and the need to enhance their status through economic development. Savings and credit, training courses, promotion of women’s organizations, are all part of the process. Also important is a process of consciousness raising, not only among women but also among the entire community; men, women, young people, the elderly, the disabled and other underprivileged groups.

Another key element is the quality and consistency of the training offered. In order for people to gain the confidence to assess their own situation and do something about it, they need skills and knowledge. These are provided through an ‘active literacy’ method, in which the extension workers facilitate learning based on the everyday lives of the participants. After reading and writing come more specialist skills such as book keeping and management. Technical training is also based on topics selected according to the expressed needs of the participants.

Donor support was phased out over a 12-month period between 1999 and 2000 but national networks that have the capacity and the motivation to continue the work now take the work forward.\footnote{op cit, ch.5} National and regional federations have been set up by primary producer organizations: grain bank unions, women’s associations, and mutual societies. Eight national networks of development partners have been set up to continue the work of ACOPAM, and these have joined together in one African Network of Local Development Organizations. New, locally owned NGOs have been set up, who have the skills needed in training and cooperative organization, and who have begun to contract directly with aid agencies. All of these are part of an emerging civil society that forms a natural partnership with government but also challenges governments to fulfil their responsibilities and encourage grassroots initiatives. Before ACOPAM withdrew, it helped to draw up new cooperative laws in several countries, in order to create a favourable environment for these associations.

**Lessons learned for the MDGs**

It is too early to tell if the indigenous networks and NGOs that have replaced ACOPAM will preserve and consolidate the gains made in the Sahel. Many problems have still to be faced. First, there are general problems, such as the
effects of structural adjustment programmes, social disputes, ethnic conflicts, high adult illiteracy rates especially among women, rural to urban migration and subsequent increase in unemployment. Second, there are legal and institutional problems such as reluctance of banks to lend to local associations, the scarcity of support services for agriculture, lack of clarity over the legal status of land, and the need for clear legislation on cooperatives. Third, there are problems concerning the local communities, of conservatism and aversion to change. There is uncertainty over whether the programme has withdrawn too soon, and over whether the gains it has made will be eroded. They are certainly quite fragile. International support will still be needed and there is uncertainty over whether it will be directed sympathetically and coherently. Much depends on the capacity of states to develop and deliver rural policies that strengthen local associations and encourage self-reliance. The key to all these uncertainties must be well written, inclusive country PRSPs that bring governments, international agencies and local people’s organisations into partnership.

CASE STUDY 7 – WORKER COOPERATIVES IN THE INFORMAL ECONOMY IN SOUTH AFRICA

Relevance to the MDGs?

- Goal 1 targets 1 and 2
- Goal 3: Promote gender equality and empower women

In South Africa, poverty is mainly a problem for black people: in 1995, 61 percent of black Africans were poor, 38 percent of ‘coloureds’, five percent of Indians and one percent of whites. There is also a strong geographical dimension of poverty: 72 percent of those below the poverty line live in rural areas, and 71 percent of all rural people are poor. Under apartheid, the combined effect of the homeland system and the migrant labour system was to strand large populations in remote rural areas, dependent on income from family members who were working in the ‘white’ urban areas. Recently, this existing problem of rural poverty has been made worse by a severe crisis of unemployment, rising inflation and higher food prices. Between 1995 and 2001, while white households experienced a growth in income of 15 percent, black people’s income fell by 19 percent. The prevalence of HIV/AIDS has reached five millions – one in nine South Africans, making it the most affected country in the world. By 2001, more than 660,000 children had become orphaned. It is hard to know how to combat the combined effects of unemployment, poverty and disease.

150 NEHAWU (2003)
151 Figures from NEHAWU (2003)
Cooperatives and the Millennium Development Goals

What can cooperatives contribute towards job creation? In South Africa, a baseline study undertaken by the National Cooperative Association in 2001 estimated that there were more than 6300 cooperatives of all types, employing over 90,000 people in South Africa. However, since a cooperative revival began in the late 1990s and many were not yet registered these figures are speculative. There is a growing interest in the employment potential of worker cooperatives in particular. We do not know how many worker cooperatives there are, but from three recent regional studies we can say that most of them are small and their economic health is poor. They generate a low income for their members, and yet the majority of members have no income from outside the cooperative. They are stuck in low-income generating sectors, and are not providing enough income to raise their members out of poverty. On the other hand, they are real cooperatives, with loyal and committed members and with a focus on providing services for their local community. 152

The studies of worker cooperatives in each region show that the vast majority of cooperative members were unemployed before they joined. 153 The cooperatives provide them with an income, but usually it does not lift them out of poverty. The ability of cooperatives to generate an acceptable livelihood for their members is questionable. They do not provide ‘decent work’ by ILO criteria, because they are too poor, and not able to afford social insurance payments. They are ‘survivalist’ in nature. Most members are also the only breadwinners in their households, so many more people are dependent on the cooperatives than just the members. When asked whether they thought being in a cooperative was worthwhile, the overwhelming message is that it is better than the alternative, which is nothing at all. 154 In the Western Cape, they are described as ‘a small, isolated and embattled agglomeration of individuals that are struggling against the odds to make a go of things’. 155 The majority are in agriculture, because the Dept of Agriculture promotes enterprises that clear land for horticulture. Others are in a variety of services – child care, care for AIDS sufferers, handicraft, garments, carpets, tourism, screen-printing, furniture making and so on.

The external environment is poor. They have poor creditworthiness with suppliers, and poor access to markets because of lack of transport. There is a lack of networking among cooperatives, and they are stuck in restricted local markets, where their customers are also impoverished. There is currently no government support for cooperatives, and officials’ lack of knowledge of the cooperative form means that when government schemes provide work they require cooperative members to be contractors, ‘employing’ the other

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152 NCASA (2001)
153 Makho Communications (2003)
155 Labour and Enterprise Project (2003) p. 18
members and so distorting cooperative values. Internally, the cooperatives lack of capital means they lack tools and equipment, cannot build up their stock, and cannot invest in their work places. The majority of members say they have no skills, and they have limited access to information on tenders, contracts and market opportunities. In one survey in Kwazulu that asked what the constraints were, 100 percent of members cited lack of finance, 63 percent lack of skills, 38 percent lack of premises to operate from, 25 percent lack of market opportunities, 13 percent lack of transport and difficulty in accessing raw materials.

The strengths of the cooperatives are that they plough their income back into the local economy, and their products and services are mainly geared towards meeting local needs. They contribute towards their communities in other ways, by giving away food, volunteering, providing training, and in some cases providing support and counselling on HIV/AIDS. They are optimistic about their ability to survive and grow, they are democratic, and inspire loyalty among their members. One study of four cooperatives shows that the cooperative has provided individual benefits such as learning skills, gaining self-confidence, and improved understanding. The sense of belonging and shared values means that participation levels are high. The Kwazulu study shows 9 out of 32 cooperatives were started by and for women, but that 81 percent of the members of all 32 cooperatives in the region were women.

Lessons learned for the MDGs?

This case shows that worker cooperatives have the potential to lift their members out of poverty, but that they need help to do so. What should cooperative promoters do to help? In relation to the cooperatives, they should help them to refocus from a welfare to a business orientation, and from a supply to a demand-led business strategy. They should encourage them to establish networks, and interact more regularly with cooperatives and other local businesses. They should help them to write a business plan, gain access to funding, develop a marketing strategy, improve the quality of products and services, get some training and so on. Urgent attention is needed to increasing their financial viability and profitability. They need to diversify their products and expand their markets. All of these points are rather obvious. What is surprising is that there are programmes available for small businesses to help to meet these kinds of needs. The cooperatives need to be connected up with all the help that is already available.

Local governments should provide special incentives in the allocation of government tenders, and make cooperatives preferential candidates in their local economic development programmes. Central government has to become more aware of the cooperative option. At the moment, the National

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156 Labour and Enterprise Project (2003)
Small Business Development Policy and Rural Development policies make no mention of cooperatives. As the Kwazulu study says ‘Nobody seems to know what cooperatives are’\textsuperscript{157} (Kwazulu study). Unlike in other African countries, governments here have never actively promoted cooperatives, and a strong lobbying campaign is needed. The status of worker cooperatives in law is uncertain the 1981 Act only recognises agricultural and trading cooperatives. There is a new Cooperatives Bill that defines worker cooperatives in a schedule, but there is some confusion about what is the status of the employees. Cooperative law needs to recognise that different types of cooperative have different kinds of employment status; agricultural cooperatives and shared service cooperatives promote self-employment among their members, while worker cooperatives provide waged work for their members, who are classed as ‘employee-owners’.

What is remarkable is that, though completely neglected by governments, ignored by financial institutions, unable to break out of their collective poverty trap, these worker cooperatives have nevertheless managed to contribute positively to their local economies, mainly due to the high level of commitment of their members, and to the fact that their only alternative is destitution.

\textbf{CASE STUDY 8 – RURAL ELECTRIFICATION IN BANGLADESH}

Relevance to the MDGs?

- Goal 1, target 1: and 2
- Goal 2: Achieve universal primary education
- Goal 3 indicator 11; Share of women in waged employment in the non-agricultural sector
- Goal 4 target 5: reduce the under five mortality rate
- Goal 6 target 6: reduce the maternal mortality rate

In the developed world, we take for granted that we will receive electricity to power virtually every activity we undertake. Less than a quarter of rural populations in developing countries have access to electric power. This leaves two billion people without it. Electricity directly helps women to save time collecting fuel, fetching water and preparing food. It helps farmers to make the transition from subsistence to income-generating activities, providing irrigation and post-harvest processing. It encourages industries to locate in rural areas, bringing jobs and new sources of income. This has a knock-on effect to schooling, health care and the environment.

\textsuperscript{157} Makho Communications (2003)
In Bangladesh, a national rural electrification programme began in 1977, with technical help from a non-profit subsidiary of the National Rural Electric Cooperative Association, a common-services cooperative owned by the US electric cooperative industry. Over the next 25 years, over 70 rural electric cooperatives have been created, with four million metered connections being made, serving 25 million people in rural areas. Such an infrastructure does not come cheap - an investment of $1 billion has been necessary, funded by 13 donor agencies. The system is still expanding, with 1000 new connections daily. System losses are less than 15 percent, and collection rates over 97 percent; a growing number of cooperatives are reaching the point where they are financially self-sustaining.

The NRECA strategy is to incorporate a demand-driven approach in programme design and implementation, to establish stable, well-managed organisations to operate the utilities, and to develop public and private cost-sharing systems to finance capital investment. It uses indigenous resources for construction, and pays attention to on-going maintenance and upgrading. It uses the most appropriate power generation methods, and provides for training to ensure that organisations are strong enough for long-term management of the system. For a long time, the system had suffered from ‘years of continual and tremendously detrimental unplanned outages’, due to reliance on a poor national grid system. To solve this problem, NRECA contracts with private companies to build plants close to the cooperative service areas; in 2001 three 10-megawatt distributed power plants were built. The results are impressive. A sample survey of 3700 households has provided these findings. There has been a 16 percent increase in the income of rural electrified households. Infant mortality in these households is 35 percent less than the national rural average. New employment opportunities have resulted in people migrating to the electrified villages. Crop yields under powered irrigation are 24 percent higher than those using diesel, and the cooperatives have installed 80,000 electric pumps, helping farmers to adapt to the new technology. A variety of new industries have been started, leading to expansion of rural markets. At the household level, rural electricity has contributed to: fuel savings; reduced fertility rates and infant mortality; improved hygiene and awareness of public health issues; increased literacy; women’s spatial mobility; income; awareness of gender issues; women’s empowerment; school enrolment; and immunisation coverage.

There is a spill over effect on non-electrified households in electrified villages, reducing poverty and affecting education and health. On average, poor electrified households were found to be better off than even the rich in

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158 NRECA International (2002a)
159 NRECA International (2002a) p. 9
the non-electrified villages. Bangladesh as a whole ranks 145 out of 174 on the UNDP Human Development Index, but if the electrified rural households were to be ranked they would come up to 115. In the commercial sector, electricity has doubled sales turnover in retail shops; extending hours, attracting more customers, and selling a wider range of goods. The electrification of rural industry has led to a growth in the skilled female labour force that considerably exceeds that of males.

**Lessons learned for the MDGs**

Given that the lack of electricity affects all the MDGs in some way, it is surprising that it is not one of the goals, and even more surprising that the MDG literature hardly mentions it. Yet we need not make that mistake here. How replicable is it? Cooperatives have a good track record in bringing electricity to rural areas. In the USA they cover 70 percent of the land area and serve 35 million people (12 percent of the US population) in 46 states. They include 60 generation and transmission and 870 distribution cooperatives, and have their own national federation. Since 1962, NRECA has helped over 50 million people in the poorest countries to become connected; it is one of the success stories of cooperative development, showing how important is the sharing of expertise between cooperatives in the developed and less developed worlds. National programmes modelled on the US experience have been established in the Philippines and Costa Rica, as well as Bangladesh. Rural electric cooperatives have also been set up in Bolivia, India, Viet Nam, Nicaragua and Ecuador. Energy efficiency and productive uses programmes have also been run in Bolivia, the Republic of Georgia, Dominican Republic and El Salvador.

What about renewable sources of energy that are more environmentally friendly? NRECA is working in Latin America on biomass power plants, wind-diesel hybrid systems, small hydropower projects and solar PV systems, hoping to make these available as the technology becomes tried and tested.

How does the cooperative model compare with alternatives? In the Philippines, the cooperatives achieve 95 percent revenue collection, and their overall performance compares well with neighbouring private utilities. Public agencies do not have a good track record. There are technical failures, losses of power due to deteriorating networks, poor management, inability to make consumers pay their bills, and sometimes corruption. In India, utility losses and subsidies amount to an estimated $3 billions a year. Private for-profit companies have experience the same disincentives that prevented them from electrifying rural USA in the 1930s, and that led directly to the cooperative solution. A mix of funds is needed, including commercial loans, government grants and consumer contributions, and the cooperative model tends to deliver a result that is affordable. NRECA says ‘our experience has
demonstrated that a focus on serving the consumer results in the most efficiently run systems’. 160 Cooperatives have the advantage of being consumer-driven, putting the key stakeholder in the centre of the business, being able to access capital but keeping bills affordable, and using the new energy to help people find new ways of making a living. It is no exaggeration to say that electricity releases the creative energy of the people who use it.

CASE STUDY 9 – POPULAR HOUSING INITIATIVES IN LATIN AMERICA

Relevance to the MDGs?

- Goal 7 target 11: By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Housing is not one of the MDGs, but it is recognised that the quality of one’s home and neighbourhood are vital for ensuring the goals of health care, primary education, the ability to earn an income, clean water and sanitation, and so on. From the early stages of the industrial revolution in Europe and the USA, there has always been a clear correlation between neighbourhood, morbidity and mortality.

One of the original aims of the Rochdale Pioneers was to provide housing for their members in real communities, in contrast to the slums in which they lived, and which at that time gave residents an average life expectancy of just 21 years. It took a while for cooperative housing to become established, and it was in Scandinavia that it really took off, well into the next century. Since then it has had demonstrated that it can help low-income people to gain good quality homes and to improve their neighbourhoods. In *Rediscovering the Cooperative Advantage*, the case of housing cooperatives in New York proved the point, and showed that they also bring increased civic participation, development of social capital, increased job opportunities and the chance to accumulate some wealth. The cooperatives had a demonstrable effect in raising average incomes. The case also showed that this form is being replicated in South Africa.

In Latin America, a whole series of projects is being developed by the Swedish Cooperative Centre to develop ‘popular housing alternatives’ among poor slum dwellers. 161 The aim is to support advocacy services and to develop self-managed schemes to tackle the housing problem. There is one regional level project and eight country projects. The aim of the first is to develop viable models of self-management, to strengthen partner organisations in each country, to improve their capacity to negotiate with

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160 NRECA International (2002b), p. 4
161 Swedish Cooperative Centre (2004)
governments, and to enable them to work effectively with popular grassroots organisations. To ensure that gender equality is taken into account, women’s participation is encouraged in all training and technical assistance activities; a target has been set that out of 500 participants at least 40 percent will be women. The project supports mutual learning and information exchange networks among its country organisations, and supports their efforts to lobby for sympathetic housing policies.

The country projects are run by NGOs working in Costa Rica, El Salvador, Honduras, Nicaragua, Uruguay, Paraguay and Bolivia. There are different ways into the problem. In Costa Rica the emphasis is on training and technical assistance aimed at strengthening existing organisations, targeting 954 families in areas with the highest rates of social and economic vulnerability. The low level of income means they are eligible for government subsidies. In El Salvador, the emphasis is on strengthening nine existing cooperatives that are weak, again through training and technical assistance. In Guatemala, the aim is to support new housing cooperatives for 125 families who live in slum settlements, and make a precarious living in the informal economy. In Honduras, the NGO aims to organise and train at least 500 families, to train them in self-building skills and to see them adequately housed. In the process, it aims to improve popular organisations so they can represent the interests of marginalized households to local government.

In Nicaragua, the emphasis is on the ‘loss of values’ in society, the lack of civic commitment, social disorganisation and family disintegration. The NGO puts the blame for these on social inequality and the high level of migration overseas by men in search of paid work. Its target groups are 650 urban and rural low-income families working in small enterprises and agriculture, organised into 14 grass roots organisations. In Uruguay, the core problem has been identified as the lack of development of the cooperative housing model in accordance with its potential. This is because it has not adapted to the current situation. The emphasis here is on prior savings by cooperative members; 400 families are to be integrated into six cooperatives, with around 3000 families belonging to the savings cooperatives that precede being housed. This is very much like the Swedish and Norwegian model of ‘mother and daughter’ cooperatives, based on people saving before they are housed. In Paraguay, the aim is to construct a pilot cooperative neighbourhood of 200 homes by five new cooperatives. In Bolivia, the aim is a more modest one, to establish two housing cooperatives with 70 low-income families, headed mainly by women. The majority are working in domestic service and the informal economy. The broader aim is to create a lobby for dwellers, in the context of the conflict over land use caused by illegal squatter settlements.
How successful have these projects been so far? Those in Paraguay and Uruguay have recently been evaluated. In Paraguay, the project to create five new cooperatives and a consortium has fully achieved its objectives. In Uruguay, 20 new cooperatives have been formed, and five are in construction. Also, social development of existing cooperative neighbourhoods has been achieved; 13 cooperatives have participated in preventive health care training, and two have begun work in local schools helping children with learning difficulties. Women have been involved in leadership positions, and the projects have managed to reach those on the lowest incomes. 162

Lessons learned for the MDGs

In Chapter 2 it was noted that Habitat, the UN agency for human settlements, has endorsed the idea of cooperative housing as part of its strategy and sees an expanding role for them, particularly in Eastern and Southern Africa. The Swedish Cooperative Centre is also supporting NGOs working to expand the housing cooperative sector in Zimbabwe, South Africa, Kenya and Vietnam. It is too early to tell whether these initiatives will be successful, but they are building on existing organisations, and are aiming to meet not just the need for housing but also for security of tenure, income-generation, clean water and sanitation, savings and credit, and so on.

CASE STUDY 10 – CREDIT UNION REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN

Relevance to the MDGs?

- Goal 1 target 1: Halve the proportion of people whose income is less than one dollar a day
- Goal 3, achieve universal primary education

It might be thought that the only way to make poor people better off is by increasing their incomes. But there is another way - to make the incomes they already earn go further. For instance, when consumer cooperatives gain control of the supply chain they eliminate profit-taking by a few ‘middle men’, maximising the purchasing power of the many. When credit cooperatives recycle money from savers to borrowers without anyone else siphoning off profits they maximise the interest paid to savers at the same time as making borrowers’ repayments as low as they need to be. This is what has happened in the case of credit union handling of remittances. A remittance is a small funds payment sent across borders from one person to

162 Evaluation reports supplied by Armando Costa Pinto
another. In practical terms, it is ‘the portion of an immigrant worker’s
earnings sent back to family members in his or her country of origin’. 163

The World Bank estimates that remittances sent home by workers amounted
to $88 billion in 2002. The Inter-American Development Bank estimates that
£32 billion of this was sent to the Latin America and Caribbean region. They
are the most important source of new capital for this region, more important
than foreign investment of development aid or government borrowing. In six
countries they account for over 10 percent of GDP. These range from
Nicaragua where it reaches a staggering 29.4 percent, and Honduras, where
it is 11.5 percent. Of course, these payments increase the standard of living
of people in poorer countries, and contribute to the growth of their
economies, specially since a large part goes to the poorest rural areas.

Most of those who receive the remittances do not have bank accounts; In
Mexico only 25-35 percent have accounts, and in Nicaragua only 10 percent.
Among the senders, those having accounts range from 72 percent among
Guyanans, to 25 percent among Mexicans, but the average is well below
half. When asked why, 38 percent of Latino immigrants said they ‘don’t
know the benefits’ and 25 percent believed they could not do so without a
social security number and a driver’s license. 164 The consequence is that
they cannot use debit cards or bank to bank payments – they have to pay in
and receive cash. From the US to Latin America 17 percent of senders use
the most unreliable methods, relying on human couriers or sending money
by post. Most use commercial money senders such as Western Union, but
the fees are a high percentage of the money sent. There is an urgent need for
low-cost ways of transferring the money.

The idea began in 1995, when WOCCU helped a credit union in California
to send transfers to unions in El Salvador. A few years later it formed a
strategic alliance with VIGO (the third largest money transfer organisation in
the world) and then with two other partners to offer the International
Remittance Network. At the time of writing, over 225 credit unions in 35
states are sending money and credit unions in six countries with 540 rural
points of service are receiving it. Both documented and undocumented
immigrants can use it. The example of Guatemala shows just how large is
the impact. Here, 25 credit unions serve over half a million members. In
2003 they distributed £114.3 million, 30,000 payments per month.

WOCCU takes, on average, only six dollars for each transaction (the average
transfer being $550), and it discloses and guarantees its exchange rates. In a
comparison of the cost of sending $400 dollars from Washington DC to El
Salvador, IRNet worked out at 2.5 percent, compared with 7 percent with
Western Union. One of the consequences of sending and receiving money

163 WOCCU (2004)
164 Figures from a presentation by Pablo DeFilippi, COPAC meeting Washington, 2004
via a credit union is that people are encouraged to join; in Mexico, for instance, during the first five months of operation 56 percent of the non-member receivers joined the Caja Popular Mexicana. Another consequence is that people can pay off existing loans; in Mexico 15 percent of funds received were used in this way. There is evidence of an effect on the MDGs of primary education and the empowerment of women. The percentage of all remittances spent on education varies from 10 percent in Honduras to 7 percent in Mexico and Guatemala. In Mexico, during the first five months of the credit union service 93 percent of remittances were received by women.

How did the credit union movement achieve such a rapid expansion of this system? It was helped USAID funding for capacity-building, but it already had distinct advantages. It already had a large distribution network in economically depressed and post-conflict areas. On the sending side, the unions have a network of contact points with friendly and knowledgeable staff who can explain the idea, and with common standards of service. Still, they had to invest heavily in human resources to create the specialist departments needed, and in IT equipment to interface with the money transfer organisations.

**Lessons learned for the MDGs**

Clearly, this method is helping to bring the unbanked poor into the formal financial system. It is cutting their costs, enabling them to send more money to poor people in poor countries, in particular giving some purchasing power to women. It is encouraging people to become members, to begin to save a portion of the money received, and to be eligible for other services provided by their credit union. It is helping them to pay off existing loans. There is no need in this case to ask how replicable it is. It is being expanded to other countries in Latin America, Eastern Europe, Asia and Africa.
Conclusion

The history of the world’s poorest countries is of an escape from colonialism, and then a realignment with a Cold War fought by superpowers on their territory, using development aid as one of their weapons. Given such pressures, it is not surprising that cooperatives were bent out of shape. Often they were seen as an answer, but to the wrong question. The question that was asked was this: how could the new nationalist governments force their countries through the stages of development in order to become ‘modern’. The question was asked in a different way depending on which of the two superpowers was being placated: either how could they move towards a free market capitalist economy, or to a state-planned socialist commonwealth? Cooperatives were seen, in both cases, as a useful transitional form on the way to something else.

The truth is that cooperatives are not a stage on the road to something else. They are what they are: people-centred businesses that can, under the right circumstances, enable people to pool their assets, talents and energies in such a way that they can, collectively, meet their own needs. Yet the argument in favour of cooperatives must not be overstated. We must be vigilant against the danger of ‘essentialist’ thinking, which conflates organisations that exist in real life with a shadowy, Platonic form that is regarded as essentially good. This is the mistake that was made in the last two decades of the twentieth century when the international institutions tried to impose a free market, investor-owned model of economic life on everyone, because it was believed to be always, everywhere, in all circumstances a good thing.

No type of organisation is blessed with magic properties, neither for-profit companies, nor trade unions, nor NGOs, nor decentralised local governments, nor public-private partnerships, nor cooperatives. This does not mean that the opposite is true, that any type of organisation can be made to do the same job. Organisational type determines which of several stakeholders owns and controls a business. It has important consequences, not least for who gets control of the assets and how the profits are distributed. It provides different kinds of incentives for investors, managers, employees and customers. This makes one type more useful than others at doing particular tasks. My argument has been that, if we want to enable poor
people to help themselves through economic activity that builds on their strengths and compensates for their weaknesses, then people-centred business such as cooperatives have built-in advantages. Having read this book, I hope you agree.

5.1 WHAT SHOULD HAPPEN NOW?

Here are some recommendations for immediate action:

- The ICA and its partner organizations should begin to influence the World Bank’s attitude to cooperatives, and devise a convincing cooperative development strategy
- Cooperative development agencies, together with the ICA, the ILO, FAO and other sympathetic agencies should form a cooperative professional partnership based on COPAC, to create a truly representative international forum for cooperative development interests
- A new trust fund for cooperative development should be set up to underpin the process
- At the national level, where cooperative apex organizations exist, they should be strengthened and their capacity increased. Where they do not exist, it will be necessary to for lower level cooperatives to begin to engage in the process.
- Primary cooperatives should be strengthened both as associations of people and as businesses that exist to add value for their members
- Governments should promote cooperatives in line with Recommendation 193, ensuring their autonomy.
- Donor agencies should review their attitudes towards cooperatives, provide technical assistance, enhance their capacity and recognize them as autonomous, private sector organizations
- The expert teams responsible for updating and monitoring the country PRSPs should make sure they involve the cooperative sector
- Cooperatives should be given the financial support and capacity building to enable them to take part in the PRSP process.

There is no easy option, no quick fix. Action is needed at local, regional and global levels all at once if the cooperative sector is to participate in the country poverty reduction strategies and make the impact it should on the Millennium Development Goals.


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