



Cooperatives at work

What is a cooperative?

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly and democratically controlled enterprise.

As self-help organisations, cooperatives in both developing and developed countries help raise the income and employment prospects of its members. The strength and reach of cooperatives are illustrated by the success of both small and large scale farmers in India who help 11 million families earn part of their income from dairy cooperatives. In Africa, cocoa and coffee growing cooperatives, which have a considerable export market, re-invest profits in their communities to obtain potable water, sanitation facilities, and resources for local villages. Cooperatives are also multi-billion dollar businesses, such as Sunkist and Ocean Spray, as well as self-organised artisans and rural farmers. The Associated Press, one of the oldest cooperatives, employs 3,700 people and provides current news to 121 countries in five languages. Thus cooperatives can be a source for information, credit, food, social protection, housing, and job creation.

“The cooperative movement is one of the largest organised segments of civil society, and plays a crucial role across a wide spectrum of human aspiration and need. Cooperatives provide vital health, housing and banking services; they promote education and gender equality; they protect the environment and workers’ rights. Through these and a range of other activities, they help people in more than a hundred countries better their lives and those in their communities.”

—United Nations Secretary-General Kofi Annan

In what industries and sectors do you find cooperatives?

Though the list is a long one, there are farmers’ and agricultural cooperatives as well as banking and insurance cooperatives in just about every country. Credit unions provide over 123 million people with access to safe savings, affordable credit, and a chance to plan for the future. There are also fisheries and retail cooperatives. Cooperatives can provide housing and even internet access for members and can also provide health care and other social services for a community. Cooperatives also provide utilities in many countries, such as water and electricity. The cooperative form of business has easily adapted to many areas that range from tourism to textiles to transportation.

What unites cooperatives representing many sectors all over the world?

Despite the diversity of cooperatives across industries and regions, the movement is united by a few shared values and principles. In summary form, these principles are:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operating among cooperatives
7. Concern for the community

Who are members of cooperatives?

The first of the seven principles of cooperatives is voluntary and open membership. Cooperatives are membership driven organisations that anyone may join and their work and their services offer a great deal to society as a whole. The United Nations estimates that 800 million people are members of cooperatives and 100 million are employed by them, though cooperatives play a vital role in the lives of many more.

“Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital and they provide protection by organising mutual self help in communities”

—Juan Somavia,
Director-General, International Labour Organization

Do cooperatives help reduce poverty?

Cooperatives contribute to economic and social development in both developed and developing countries. Though the value which a cooperative contributes to society differs depending on its individual objectives, cooperatives play a role in finding solutions to unemployment and promoting technical skills. Members are able to assert greater control over their livelihoods and meet their everyday needs, especially in rural areas where jobs are scarce and basic services are often weak.

For example, credit cooperatives can be positioned as part of a country's overall poverty reduction strategy by providing financial services to those who do not have access to them and by establishing an entrepreneurial climate where small businesses can flourish. A water cooperative in a remote city of a million people in Bolivia has been cited as one of the best run water companies in Latin America and has served as a model in efforts to provide safe drinking water. Agricultural cooperatives can give producers clout in an increasingly competitive market and can help them

obtain production inputs and build marketing capacity. Consider the fact that over 50 per cent of global agricultural output is marketed through cooperatives.

Cooperatives have also proven to be a useful tool in combating social exclusion and fostering community cohesion. As local participation and inclusion are central to poverty reduction, co-ops often take into account the needs of the weakest and less privileged people in society.

Human development is essential for the prosperity of any community. Targeted training and social development measures provided by cooperatives prevent new poverty that may result from the modernization and restructuring of an economy. As people continue to accumulate economic advantages, they are less likely to slip back into poverty. Cooperatives are a force that helps to ensure that people from all income levels are included in the long-term growth of vibrant national economies. They represent local solutions to the challenges created by a rapidly globalizing world.

What is the role of government regarding cooperatives?

Governments should adopt policies and a legal framework that support cooperatives and are consistent with their nature and values. The institutional environment should provide for a rapid, simple and affordable registration process of cooperatives. To achieve the most effective policies, governments should consult cooperative and workers' organisations when drafting or revising legislation or regulations that affect the work of members and the capacity of co-ops to create employment and income. For example, in some countries, notably Uganda and Ethiopia, cooperatives are contributing to the design, implementation and monitoring of the national Poverty Reduction Strategy Papers.

Though it is important to remember that cooperatives are autonomous organisations controlled by their members, governments should promote the growth and viability of cooperatives by facilitating access to investment finance and credit, as well as to training, and should enter into partnerships with cooperatives where appropriate.

Sources:

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UK Department for International Development: “Things you probably didn't know about co-ops” at <http://www.developments.org.uk/co-op/do-you-know.htm>