

Poverty Reduction through Self-help

Rediscovering the Cooperative Advantage

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Summary

This study examines the role and potential of cooperatives in reducing poverty. It includes an analysis of what we understand by the terms poverty and cooperatives and discusses the poverty reduction policies of international organisations and how cooperatives could help achieve their objectives. The historical record of cooperatives in poverty reduction and eleven case studies from different fields of current cooperative activity are presented. *A key conclusion of the study is that self-help organisations by the poor is a pre-condition for successful anti-poverty work and that cooperatives can play an important role in this struggle.*

A History of Self-help and Cooperative Action

The purpose of this study is to explore the relationship between the cooperative form of organisation and the reduction of poverty. There are good reasons for thinking that cooperatives might have an important role in the global effort, led by the United Nations, to halve the level of poverty by 2015. *After all, it was poor people who originally invented cooperatives as a form of economic association that would help them to climb out of poverty.* The history of cooperatives is full of evidence of their ability to increase their members' incomes, decrease the risks they run, and enable them to become full participants in civic society. The principles on which cooperatives are based, and on which they are distinguished from other forms of business organisation, point to a concern with democratic control by the members, the equitable return of economic surpluses, and a desire to share these benefits with other people in similar circumstances. However, their history also provides evidence of the limitations of cooperatives. They have a tendency, once established, to appeal more to people on low to middle incomes than to the very poor. In the developed world, they have had a tendency to grow and to rely more and more on professional management, which has meant their being distanced from their members and becoming more like conventional businesses. In the developing world, they have often been used as tools of development by governments that have not allowed them to become fully autonomous, member-owned businesses.

What is the Cooperative contribution to Poverty Reduction?

What potential does the cooperative form have in practice to reduce poverty? The question is an important one. It is part of a wider question, about what forms of economic and social organisation the poor need in order to help themselves out of poverty. This is part of an even wider question about what techniques should be used by international development agencies, non-governmental organisations, national and

local governments to achieve sustainable development that is targeted on the poor. The question is also an urgent one. The United Nations is co-ordinating a huge, global effort to reduce poverty and all the other disadvantages and deprivations that keep people poor. If the cooperative form is good at reducing poverty and is overlooked, then the Millennium Development Goals may be harder to achieve. If its potential is overestimated, development effort may be wasted. We need to have a wide-ranging debate about just what cooperative businesses can contribute to the reduction of poverty. This study aims to help stimulate and contribute to such a debate.

Study Contents

In **Chapter One** the study defines what is meant by poverty, and cooperatives and other self-help organisations in relation to cooperative principles. It then explores the historical record of cooperatives, briefly evaluating their past contribution to poverty reduction, and asks how relevant they are to current needs and priorities. The conclusion is that cooperatives have great potential, but as part of a wider set of more or less formal self-help organisations. In practice, this form of member-owned business should only be used if the poor themselves see its potential.

In **Chapter Two** the policies of international organisations that have responsibility for achieving the Millennium Development Goals are examined, and the question is posed as to what the contribution of cooperatives and self-help organisations might be. A particular focus is on the international financial institutions - the IMF and World Bank - and their Poverty Reduction Strategies and the Decent Work Strategy of the International Labour Organisation (ILO). The conclusion is that cooperatives have the potential to contribute to the Poverty Reduction Strategies of a wide range of international organisations and countries, but that this potential could be much better recognised.

In **Chapter Three**, eleven case studies are presented that illustrate how various types of cooperative, in a wide variety of situations, in developed and developing countries, are in practice lifting their members out of poverty. The study asks what they have achieved, what setbacks they have experienced, whether their experience has wider significance, and how replicable they are. The conclusion is that cooperatives and similar member-owned businesses are an extremely flexible form that can be adapted successfully to solve a variety of economic problems. However, their successful application requires a great deal of promotional effort, attention to detail, and investment in human capital.

Finally, in **Chapter Four** the study examines the relationship between cooperative development and the more general process of participatory development. The conclusions are that the development of cooperatives and similar self-help organisations is a vital aspect of participatory development, and that without some form of self-organisation by the poor wider development would not be sustainable. The poor must be involved in the ownership of the development process, through their own local, democratically controlled economic organisations. If the cooperative form did not exist, it would have to be invented. The study ends with some recommendations to strengthen the work of the ILO and other international organisations in making a cooperative contribution to poverty reduction.

To obtain a copy of the study:

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Copies can be obtained from the International Labour Organisation
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