

Expert Group Meeting and Workshop on Co-operatives

*The Role of Co-operatives in Sustainable Development for All:
Contributions, Challenges and Strategies*

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Strengthening the Role of Co-operatives in Sustainable Social Development: *Challenges and Strategies*

Cecil Ryan
Social Development Consultant and Activist

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Synopsis

Co-operatives are considered peoples' organisations working to improve the conditions of living for the most marginalised and disadvantaged persons and social groups. Historically, co-operatives have played a cardinal role in bettering the lives of millions of persons through the world, especially in low income and disadvantaged countries.

From the very start of their existence, co-operatives have played a very important role and they have made impactful and lasting contribution to social development through partnerships with governments, particularly in countries (in African and the Caribbean) whose early development had been interrupted by colonial conquest and settlement.

The role and contributions of co-operatives in social development have had the greatest impact in the areas of education, health care, housing, and enterprise development. Co-operatives have helped to reduce poverty, social inequalities, and create quality employment, both directly and indirectly.

Specific social interest groups and population sectors have benefited from being members of co-operatives. These social interest groups have included teachers, police, civil servants, and farmers; and population groups such as women, low income earners, low income families, more generally, have been beneficiaries of co-operative involvement.

While over the years, there has been significant improvement in the operation of co-operatives and the regulatory framework governing their operations, co-operatives still encounter many challenges which limited their role and effectiveness in helping to improve the living situation of persons belonging to different social groups. More strategies are needed therefore, to enable greater response to existing and emergent challenges.

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Preliminaries:

Colleagues:

Good Morning/Afternoon

Permit me to begin by thanking colleagues at the Division for Social Policy and Development of the United Nations Department of Economic and Social Affairs (UNDESA), and in particular my friend and brother Maxwell Haywood for inviting me to this forum, and to be in the company of such distinguished colleagues.

This is a very important forum; and I commend UNDESA for enabling it as part of its on-going effort to find ways of bettering the living situation of millions of peoples in numerous countries globally. I feel honoured and I am pleased to be here despite the challenges of distance, stress and fatigue accompanying this journey.

I am glad for the opportunity to share with you, my thoughts on what I consider to be a very important subject in the context of living and production for hundreds of millions people living in countries that have been underdeveloped and traumatized as a consequence of an earlier historical period of resource plunder and exploitation. Thank you for having me and for your welcome.

I was asked to focus my presentation on “The Role of Co-operatives in Sustainable Development for All: *Contributions, Challenges and Strategies*”. I have chosen to relate this topic to the experience of the small Independent Island Nations of the Organisation of Eastern Caribbean States (OECS). I hope that what I have to say will meet with your understanding if not your agreement.

My intention is to indicate some pointers around which we could engage in a further discussion on responses to the challenges to living and production for the citizens of the OECS countries.

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In my view the nature of such discussion requires us to be practical and pragmatic. Because at the end of the day that is what life and living is all about – being able to negotiate for the better, all the existential circumstances that one encounters throughout hers or his lifetime.

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Introduction:

Can you imagine my country?
Without the Co-operative Movement!
Can you imagine the struggle to survive?
Can you imagine poor people?
Nowhere for money to run to -
Can you imagine the hardships in their lives?

Chorus

*That's why we building co-operation
Building, building co-operation
We building co-operation
With you and me
We advocate and we innovate
We educate and we motivate
We activate and we cultivate
Co-operation!*

These lines are from a song that was part of the regional competition to highlight the International Year of Cooperative as declared by the United Nations in 2010. These lyrics were written by a colleague, Lennox Bowman who manages the largest credit union in my own country, St. Vincent and the Grenadines; it was sung by a leading female artist, Shaunelle McKenzie.

I chose to lead of my presentation with the words of this song because they put the topic into immediate focus; and they enable immediate contemplation on the questions:

- i.** *Where would have been the economy of Kenya without its 11,200 registered societies making up the cooperative movement?*
- ii.** *How would 8,000,000 Kenyans have negotiated their living and production had it not been for the cooperative movement?*
- iii.** *Where would \$2.5 billion in domestic savings have come from or gone to in Kenya, had it not been for the cooperative movement?*

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- iv.** *Where would more than 300,000 Kenyans have found employment had it not been for the cooperative movement?*

Indeed we can ask similar questions with respect to the experiences of many countries around the world. Because I am from the Caribbean, in particular the OECS, against the background of these questions, I would like to draw from the OECS experience to highlight some of the attendant challenges and the strategies employed to respond to the challenges.

Just to refresh our understanding of the definition of a co-operative. I refer to that provided by the International Co-operative Alliance (ICA 2004). It states, a co-operative is:

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

By extension of the term, a co-operative is meant to embody a set of principles and values based on self-help, honesty, openness, self-responsibility, social responsibility, and guided by a set of principles based on democracy, equality, equity, and operations grounded in solidarity, mutual caring, efficiency, effectiveness, transparency and accountability. These have been the pillars that have derives the co-operative movement in the OECS, the acronym for the Organisation of Eastern Caribbean States.

The OECS – *Geographic Coordinates and Demographic Profile:*

The OECS is an archipelago chain of islands located between latitude 11 degrees south and 20 degrees north, and around 61 degrees longitude. This group includes six independent countries of Antigua and Barbuda, St. Kitts and Nevis, the Commonwealth of Dominica, St. Lucia, St. Vincent and the Grenadines, and Grenada, Carriacou and Petite Martinique and Montserrat as full members. Anguilla and the British Virgin Islands (two British Overseas Territories) have associate membership status.

The land masses of the OECS are washed by the Atlantic Ocean along their eastern coastlines and the Caribbean Sea along the western. These island nations are tiny specs in absolute and relative geographic terms and by any measure. They range in population sizes from 5,000 in

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Montserrat, the smallest to 174,000 for Saint Lucia, for a total population of about six hundred thousand. Their physical sizes range from 102 square kilometres in the case of Montserrat to 750 square kilometres in Dominica, for a combined land mass of two thousand, eight hundred and eleven square kilometres.

Together with the physical attribute of smallness both in land mass and population size, these countries possess a number of features which limit their resource base and restrict their development capability. Such features include the size and structure of their economies, low level of production and productivity, the insularity of independence and sovereignty, high cost of governance, susceptibility to natural disasters, and the incidence of crime.

Apart from these limiting features and their attendant challenges, the OECS countries possess other features which create possibilities for resource mobilisation and development. The OECS countries are located in one of the choice regions of the world, in the Caribbean where the physical environment is most pleasant for work and leisure for the greater part of the year; the countries have a landscape and a seascape which, historically, have made them very attractive and endearing to sailors and explorers. They are independent and sovereign states, being able to enter into bi-lateral and multi-lateral relations with other countries in the world.

With their unique landscape and seascape the OECS countries historically have served as retreat ground and extended leisure space for wealthy expatriates including Americans and Canadians. They have an educated and trained population for whom English is the official language. They are located within close proximity of the United States of America and Canada. As such they form part of an important gateway to the United States and Canada, being part of a transshipment corridor for people and goods.

The governments of the OECS have been working to integrate their economies and their governance, and to allow for the easier movement of their citizens. Their various parliaments have passed laws to this effect. Already co-operation exists among OECS countries in a number of important areas including education, health, sports, security, the fight against drug trafficking

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and money laundering, disaster preparedness, and the formation of capital markets, including the laws and regulations governing them. These moves are providing a more enabling framework for the further growth and sustainability of the OECS Co-operative tradition.

The Existing Situation of Cooperatives in the OECS:

Currently, there are two hundred and ninety-five (295) co-operatives in the OECS. They represent fifty-one (51) financial co-operatives (*credit unions*) and two hundred and forty-four (244) non-financial co-operatives. Of the 244 non-financial co-operatives, 122 operate in various social and economic sectors of the economy, while 122 are explicitly school based co-operatives. Up to 2013, these co-operatives accounted for *three hundred and five thousand, five hundred and twenty-four (305,524) members; (US) seven hundred and twenty-two million, one hundred and eleven thousand, eight hundred and twenty-three dollars (US \$722,111,388.00) in savings and deposits; and eight hundred and thirty-eight million, two hundred and ninety-one thousand, three hundred and thirty-eight (US) dollars (\$838,291,823.00) in total assets.*

When these figures are compared with similar indicators for countries in other parts of the world, the picture is very clear that co-operatives in the OECS perform a cardinal role and they make important contributions to OECS economies, in particular, and to these countries socio-economic development in general. Their role and contribution have grown in absolute and relative term since their inception in the 1940's.

Brief Historical Perspective

Co-operative societies have existed formally in the OECS and the wider Caribbean since in the 1940s, following the report of the Moyne Commission that was set up by the British Colonial government in response to a series of unrest that took place across the Caribbean during the 1930s. This Moyne recommended the appointment of a Registrar of Co-operative societies and the setting up of a proper legal framework in the form of a Co-operative Societies Ordinance with accompanying rules.

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Over the years, the legal and regulatory framework has been updated for more appropriate and effective management and administration of co-operative societies. There are now Revised Co-operative Societies Acts with accompanying regulations; these have been harmonized for wide application across the OECS. Co-operatives in the OECS, particularly credit unions have grown from very tiny insignificant enterprises to become major contributors to the social, economic and political life of the people of the OECS. Most outstanding contributions have occurred in the areas of education, housing, health and business.

It is important to recognize that the story of co-operatives in the OECS is the story of co-operatives everywhere – in advanced developed countries as well as less developed countries. In all instances co-operatives have been confronted, and continue to be confronted with the same challenges. And the strategies used to confront these challenges have been the same. I want to present some of them here for further consideration and reflection.

Challenges

Despite the significant role that co-operatives have played, and the significant contributions that they have made in supporting and boosting the level of socio-economic development in the countries of the OECS over the years, co-operatives in the OECS encounter many challenges which limit the effectiveness of their operation, and lessened their contribution to social development.

Specifically, some of the challenges facing societies in the co-operative sector include:

■ *Undeveloped Organization Framework and Governance Structures*

Developed as grassroots initiatives to address problems of poverty, many co-operatives continue to adopt a traditional small-scale model of development that is keeping them organizationally fragile and continually dependent on volunteer support. Some societies have remained small; they have a poor image and unnoticed market presence, and they lack the policies, systems, tools and managerial capabilities needed to expand their operations.

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■ ***Weak Operational and Management Systems***

Many societies suffer from weak leadership; they are resistant to change and lack of serious planning. They have weak or poor management information systems (MIS) in place, and they are often unable to generate timely and reliable data on operations to support decision making.

■ ***Limited Financial Services and Products***

In general, co-operative societies, some credit unions in particular, have not kept pace with advances in technology in the access, processing, and sharing of information.

■ ***Inadequate Regulatory Compliance and Financial Monitoring***

Generally, some co-operatives, credit unions in particular, do not apply consistently standardized prudential norms and accounting criteria to their operations. These units lack the capacity to utilize relevant monitoring system to conduct institutional analyses for conformity. They also lack adequate information and control systems that would enable them to make rapid and effective management decisions, and report frequently and promptly on their financial position to supervisory agencies as is required in the new regulatory environment.

■ ***Absence of an Apex Body***

As challenges in the economic environment intensify, there is a pressing need for collective action, and a growing realization of the importance to operate jointly and as a network. This calls for an apex body to lead the coordination and technical support to the sector, not just for orientation in regulatory compliance and the provision of generic training, but also to influence restructuring so that members can benefit more from the consolidated resources of the sector and from funding joint initiatives on an equitable and shared basis.

Strategies:

A. At the Individual Level:

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1. Promote and encourage the practice of high standards prudence and regulatory compliance, buttressed by high standard of good governance, accountability, and transparency across the sector;
2. Initiate and take full advantage of training opportunities for members and staff of cooperatives;
3. Embrace and utilise fully, opportunities and applications of information and smart device technology both at the individual member and enterprise wide levels;
4. Identify core strategic priorities for individual and collective action;
5. Practice strategic thinking always;
6. Remain steadfast and true to the cooperative philosophy and principles in theory and practice;
7. Work and collaborate with other stakeholders.

B. At the National, Sub-Regional and Regional Levels

1. Explore and take advantage of opportunities for national and regional and sub-regional networking and lobbying
2. Strengthen and integrate the operations of cooperatives through the apex body as a basis for collective action and impactful outcomes
3. Promote and encourage resource mobilization and sharing through an apex body;
4. Promote and encourage the provision of services such as medical insurance, the sharing of virtual space for the promotion of products and services, and capital formation for larger investment purposes and projects;
5. Promote closer integration between non-financial and financial co-operative enterprises in a focused and consistent manner;
6. Adopt the practice of strategic thinking always.

For the role of co-operatives to be strengthened and sustained it is necessary to continually **advocate, innovate, educate, motivate, activate and cultivate**, just as the song says.

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December 2014

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Appendix: Comparative Performance Statistics for the period ending December 2013

Country	Credit Unions	Members	Penetration Rate	Savings & Shares (USD)	Loans (USD)	Reserves (USD)	Assets (USD)
Kenya	5,000	4,722,127	19.02%	2,659,761,058	3,732,814,994	323,646,493	4,466,313,096
OECS	51	305,524	65.21%	722,111,388	620,118,494	71,297,585	838,291,823
Antigua & Barbuda	6	30,447	48.82%	54,636,745	45,298,545	6,293,178	61,361,714
Dominica	10	65,783	NA	188,525,716	152,209,570	12,395,538	212,693,160
Grenada	10	48,382	66.49%	130,046,460	123,938,339	6,435,499	157,726,814
Montserrat	1	5,308	NA	16,764,071	12,042,922	864,177	16,314,968
St Kitts & Nevis	4	20,518	56.32%	60,474,182	55,746,299	10,305,620	77,499,581
St. Lucia	14	71,035	63.66%	158,658,215	153,039,849	17,570,828	202,700,799
St. Vincent & the Grenadines	6	64,051	90.76%	113,005,999	77,842,970	17,432,745	109,994,787