



# Cooperatives

## 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.

Multi-billion dollar businesses, such as Sunkist and Ocean Spray, are cooperatives as well as small groups of artisans and associations of rural farmers. The Associated Press is one of the oldest cooperatives that employs 3,700 people and provides current news to 121 countries in five languages. 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. Thus cooperatives can be a source for information, credit, food, social protection, housing, and jobs.

## 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. There are also fisheries and retail cooperatives. Cooperatives can provide housing for members and they 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 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. Though cooperatives are membership driven organisations that anyone may join, 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.

## Do cooperatives help reduce poverty?

Cooperatives contribute to economic and social development in both poor and rich 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 did not have access and by establishing an entrepreneurial climate where small businesses can flourish. Agricultural cooperatives can give producers clout in an increasingly competitive market and help them obtain production inputs and marketing capacity. Consider the fact that over 50 per cent of global agricultural output is marketed through cooperatives.

Cooperatives have also proved 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.

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**“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 Organisation*

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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 in a rapidly globalizing world. As people continue to accumulate economic advantages, they are less likely to slip back into poverty.

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**“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**

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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.

#### **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 framework 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 support their business viability and facilitate access to investment finance and credit, and should also enter into partnerships with cooperatives where appropriate.

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#### **Sources:**

“Promoting Co-operatives: A Guide to ILO Recommendation 193”. Published by the Co-operative College for the Department of International Development, Manchester, UK, 2004.

“Making a Difference: Co-operative solutions to Global Poverty”. Edited by Andrew Bibby and Linda Shaw. Published by the Co-operative College for the Department of International Development, Manchester, UK, 2005.

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