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Cooperatives in Social Development

Report of the Secretary-General

Summary

This report responds to General Assembly resolution 58/131 which requested a report focusing on the role of cooperatives in poverty reduction. Section I of the report provides an introduction which underscores the recognition both within and outside the United Nations system of the contribution cooperatives can make to promote poverty eradication and enhance social integration. Section II discusses how cooperatives contribute to the promotion of income and employment, and the enhancement of social integration and cohesion. This section also presents the results of a survey of Member States and apex cooperative organizations seeking their views on the role of cooperatives in poverty eradication. Section III examines key challenges facing cooperatives and presents some recommendations for consideration by the General Assembly.

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I. Introduction

1. This present report responds to General Assembly resolution 58/131 of 22 December 2003 on Cooperatives in Social Development which requested a report focusing on the role of cooperatives in poverty reduction. The theme for this report is particularly relevant given the review of the implementation of the Millennium Declaration during the sixtieth session of the General Assembly, and the priority given to achieving the goal of halving the number of people living in extreme poverty by 2015. Moreover, by focusing on the role of cooperatives in poverty reduction, this report highlights the particular contribution of self-help organizations to enable poor people to escape the clutches of dire poverty.

2. The role of cooperatives in social and economic development has been given greater attention within the United Nations system and without, particularly during the past decade. The World Summit for Social Development held in Copenhagen in 1995 specifically recognized the importance of cooperatives in the people-centred approach to development and committed “to utilize and develop fully the potential and contribution of cooperatives towards poverty reduction along with generation of full and productive employment creation and enhanced social integration.”¹

3. In 1996, the General Assembly adopted resolution 51/58 urging due consideration be given to the role, contribution and potential of cooperatives in achieving social and economic development goals, in particular the Social Summit goals of poverty eradication, employment creation and enhancement of social integration. Subsequently in 2002, the United Nations Guidelines for creating a supportive environment for cooperative development recognised the "cooperative movement as a distinct and major stakeholder in both national and international affairs".

4. In 2002, the ILO Conference adopted Recommendation 193 which states that the promotion of cooperatives should be considered as one of the pillars of national and international economic and social development. Specifically mentioned are the roles of cooperatives in responding to their members' needs and the needs of society, including disadvantaged groups, in order to achieve their economic participation and social inclusion and to increasing women's participation in the cooperative movement at all levels. In 2004, the ILO and the International Cooperative Alliance (ICA) launched a global campaign "Cooperating Out of Poverty", which promotes the cooperative model of business enterprise as a means by which people help themselves. It suggests new niches within the development framework, such as Fair Trade and the Poverty Reduction Strategy Paper process, where the cooperative model of business may be promoted.

5. The European Union has expressed its support for the cooperative movement by elaborating and adopting a European Cooperative Society in 2003. In this regard, it is important to note that African nations, at the 13th Session of the Pan-African Cooperatives Conference in 2000, adopted a ten year Action Plan on the role of cooperatives in poverty alleviation.

6. Although cooperatives have made important contributions towards alleviating poverty both in developed and developing countries, this report will focus on their role in reducing poverty in developing countries where the majority of poor people are located. This report also includes the results of a survey sent to Member States and apex cooperative organizations on selected aspects of cooperatives and poverty reduction. In addition, a number of United Nations

agencies have provided useful information related to their work in promoting and strengthening cooperatives for poverty reduction.

II. Cooperatives and poverty reduction

7. Cooperatives contribute to the eradication of poverty directly through the economic and social progress of their members and employees, and indirectly through stimulating the economies and enhancing the social fabric of the communities in which they operate. Their importance is linked to what they are, and what values and principles they espouse to their members and their communities. In other words, when the objective is 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”.²

8. Over a period of about 150 years, cooperatives have spread into 100 countries and into various sectors and activities encompassing agriculture and fishing, housing, banking, insurance, water and electricity and health care.³ Cooperatives, as self-advancement organizations, help members achieve their social and economic needs and goals through the establishment and operation of autonomous, member-owned businesses which generate income and employment by pooling limited resources and reducing risks while simultaneously promoting social integration and cohesion in communities. These business enterprises operate in the private sector but with democratic forms of stakeholder accountability.⁴ Unlike other types of private sector business organizations, cooperatives subscribe to a set of core values and principles, as summarized in Box 1 below, which emphasise social responsibility and community development.

Box 1. Cooperative Values and Principles

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 owned and democratically controlled enterprise.

Cooperative values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Seven principles of Cooperatives

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

Source: “Making a Difference Cooperative solution to global poverty, edited by Andrew Bibby and Linda Shaw, The Coop College. 2005, p. 11.

A. Contribution to income and employment

9. Cooperatives help to create, improve and protect the income and employment opportunities of their members by pooling the limited individual resources of members to create business enterprises which enable them to participate in production and profit sharing, cost saving or risk-sharing activities. Cooperatives seek to promote the economic as well as social well-being of individuals who may not otherwise be able to form businesses on their own. The economic value-added of cooperatives arise from efficiencies gained in obtaining inputs and services, in utilizing resources and/or marketing products or services which would otherwise be difficult to obtain for individuals acting alone, especially when they are poor.

10. Cooperatives play a significant role in agriculture in both developed and developing countries. One common form of cooperative is the farmers' or agricultural production cooperative. With a majority of the poor living and working in the agricultural sector, these types of cooperatives offer an appropriate channel by which the incomes of poor farmers can be increased or stabilized. Such cooperatives provide farmers with the agricultural supplies they need, offer the mechanism for the sale of their produce as well as other essential services like marketing, credit, insurance and transportation. Through mutual insurance and farm credit, members of cooperatives are able to better cope with crop failures and other emergencies.

11. By organizing themselves as cooperatives, small farmers can reap economies of scale through better access to inputs, sharing of common equipment and better access to markets. The increased efficiency that agricultural cooperatives achieve often places them in a better position to compete with larger businesses than an individual farmer operating in isolation. This is particularly relevant in those sectors where farmers have to maintain their competitiveness in the face of increasing globalization.

12. Therefore, by organising themselves into cooperatives, the rural poor are able to mobilise for collective action and achieve better bargaining power as buyers and sellers in the marketplace. It is estimated, for example, that over 50 per cent of global agricultural output is marketed through cooperatives.⁵ One success story of such collective action is the dairy (Anand) village cooperatives in India which are organized into state level marketing federations. Control over marketing is considered the critical feature of the success of Anand cooperatives in contrast to other dairy cooperatives which simply supply to private companies which brand and market the milk. India dairy cooperative network includes 22 state federations, in 170 milk unions covering over 285 districts, covers nearly 101,000 village level societies, and is owned by nearly 11 million members.⁶ The success of the dairy cooperatives in India was replicated by Milk Vita cooperative in Bangladesh where about 300,000 household realized a ten-fold increase in earnings.⁷

13. A recent marketing concept relevant for agricultural cooperatives is that of Fair Trade whereby producing cooperatives or democratic organizations in developing countries partner with distributors and consumers in developed countries. Under Fair Trade, producers are paid a price guaranteed to be above the world price and to cover cost of production. Fair Trade suppliers agree to follow international labour standards and non-discriminatory practices and shun the use of child labour. One example of such practice is found in East Timor where the largest coffee exporter, Co-operativa Café, processes about one-third of the country's coffee produce and specialises in high value organic and Fair Trade coffee which are marketed globally.

14. Cooperatives traditionally have a strong presence in the provision of financial services through credit unions and microfinance entities which encourage voluntary savings and provide affordable loans and insurance. In many developing countries, credit unions have become the largest source of small savings account and loan services, especially for poor people and the working poor in rural areas, where traditional banks or insurance services are beyond the reach of many.

15. Credit unions currently serve an estimated 120 million members in 87 countries around the world and help members increase their incomes, build wealth and security and provide homes for their families.⁸ To enable the very poor who lack resources to become individual credit union members, credit union associations, such as the World Council of Credit Unions (WOCCU), have established Savings and Credit Associations. Members initially join as a group and eventually become individual members with their own savings accounts and loans.

16. Through an international credit union remittance system (IRnet - International Remittance Network), many unbanked migrants, are able to remit funds to their home countries at low cost and also eventually become credit union members.⁹ Through competition in the market for remittances, IRnet has helped to drive down remittance fees offered by other providers.

17. Insurance is an important financial service that can reduce the vulnerability of the poor to economic shocks by protecting their assets and reducing their risk. Cooperatives have demonstrated that they can be effective mechanisms for providing micro insurance to the poor against their vulnerability to diseases, theft, violence and natural disasters. They also serve to inform and educate the working poor, especially those in the informal economy, about the value of insurance. La Equidad, an insurance cooperative in Colombia, serves more than 3.3 million people as members and customers.¹⁰

18. The growth of microcredit and microfinance services offered by cooperatives has had significant success in empowering poor people, especially women, to fully realise their productive potential. Access to credit, in particular credit policies and programmes that have been adapted to rural environments and for agriculture, have been at the centre of efforts to empower rural women. The ability of rural women to access such financial services has helped to increase agricultural productivity and promote food security. Moreover, such access by rural women to financial services helps to give them voice and this is increasingly an important factor in implementing rural policies and defending the interest of all farmers, both women and men. As a result, barriers to rural women's participation and representation in agricultural organisations are increasingly being eliminated.

19. Consumer cooperatives are one of the older types of cooperatives. As organizations that focus on retail distribution, these cooperatives enable their members to purchase goods at low-cost since purchases are in bulk, and any net profits are shared by members. The ability to purchase in bulk enables such cooperatives to lower prices of retail goods in villages where there is little competition among retailers.

20. In many countries, the market share of consumer cooperatives is significant. In India, for example, it has been estimated that there are more than 25,000 cooperatives with around 700 central wholesale warehouses.¹¹ In most central and eastern European countries, cooperatives have 20 to 30 percent share of the market, and are particularly strong in rural areas, despite business failures and intense competition.¹²

21. The cooperative principle of concern for community well-being is evident in the number of cooperatives providing basic services including housing, health and education, water and electricity. The involvement of cooperatives as providers in these sectors highlights their tangible contribution to several Millennium Development Goals (MDGs) related to raising literacy among children, reducing mortality rates, combating HIV/AIDs and other diseases and improving access to safe drinking water and decent housing.

22. With the growth in the number of slum-dwellers outpacing urban improvement in many developing countries, there is urgent need to expand and scale-up proven measures to improve slum conditions and revitalise communities. Cooperatives contribute to the provision of decent housing in various ways, ranging from shared mutual ownership of properties and management cooperatives to house building cooperatives. Credit unions and savings and mortgage cooperatives, on the other hand, provide assistance in financing house construction and ownership.

23. For slum dwellers in Central and South America, popular housing alternatives are being developed through the strengthening of sustainable housing cooperatives with support from the Swedish Cooperative Centre.¹³ In Guatemala, the project aims to support new housing cooperatives for 125 families living in shanty towns and slums and who are employed in the informal economy. In Nicaragua, the project targets 650 low income families who are working in small enterprises and in agriculture.

24. Health care cooperatives can be found in more than 50 countries and provide health services – medical treatment, rehabilitation, health education - to an estimated 100 million households in the world .¹⁴ Brazil's Unimed, a cooperative health care provider has a third of the country's medical practitioners as members. In the Philippines, ORT Health Plus Scheme provides a wide range of maternity care for women members and other health care services.

25. With the spread of HIV/AIDS, it has become particularly important for the cooperative movement to address the reversal of the disease. In particular, the loss of members, work force and leaders of cooperatives to the disease in badly affected parts of the world has compromised the viability of cooperative businesses. In Kenya, credit unions such as KUSCCO and KERUSSU help those suffering from HIV/AIDS by providing emergency loans for medical expenses and hospital fees.¹⁵

26. Although the proportion of global population with access to sources of safe drinking water rose from 71 per cent in 1990 to 79 per cent in 2002, there are still about a billion people, mostly in rural areas and urban slums, who lack such access.¹⁶ The success of a water cooperative in Bolivia provides one useful model for the provision of safe drinking water to poor people. The SAGUAPAC is a 100,000 member water cooperative based in a remote city with a million people.¹⁷ This consumer cooperative offers low water charges which are within the reach of unskilled workers. In a study by Birmingham University economists, SAGUAPAC was found to be one of the best run water companies in Latin America given its low level of water leakage, high level of staff productivity and universal metering.

27. Similarly, the cooperative model has been tapped for the provision of electricity. In Bangladesh, over 79 rural electric cooperatives serve some 4 million customers and reaches over 25 million people. With the help of donor agencies, the network continues to expand and becoming financially self sustainable.¹⁸ The bill collection rate is over 98 per cent and the system loss is only at 16 per cent.

28. In the United States of America, some 1,000 electric cooperatives of the National Rural Electric Cooperative Association (NRECA) serve 34 million people. NRECA also helps developing countries establish rural electrification cooperatives including Bolivia, India, Vietnam, Nicaragua and Bangladesh.

29. Cooperatives, by providing basic services and utilities also provide other development benefits or externalities to poor rural populations, particularly in health and education. For example, electrification helps to develop rural industries, improve food processing/preservation capability, enables school children to read after sunset, and improves information flow through the use of radio.

30. Lack of transportation in remote areas hinders productivity and local conditions sometimes call for innovative solutions. In Brazil, the Balsa cooperative provides transport for cars and their passengers across a fast flowing river. This cooperative solution proved economically beneficial to the villagers by providing them with a means of livelihood; the arrangement also saves time and fuel costs for commuters.

31. There has been a steady increase in the number of working poor in the informal economy as more people are unable to find jobs or to start small businesses in the formal economy.¹⁹ In Africa, over the past decade, it is estimated that informal work accounted for about 80 per cent of non-agricultural employment, more than 60 per cent of urban employment and over 90 per cent of new jobs.²⁰ Since the informal sector is not officially recognised, recorded, protected or regulated, its workers are exposed to exploitation and do not become entitled to social protection programs available in the formal economy.

32. Cooperatives in the informal sector have proved successful among workers like taxi drivers and small retailers. In Uganda there is a good example of a successful cooperative that was established by shoe-shiners in Kampala. What started as a five-member shoe-shiners cooperative organisation grew to full-fledged 600 member cooperative called Shoe-Shiners Industrial Cooperative Society Ltd. Members of the cooperative receive benefits such as access to savings and loans, and cooperative training programmes. This particular cooperative also has business dealings with KIWI, the shoe polish company, and operates a brush-making project.

33. There is encouraging evidence of other cooperatives that have had significant success in providing social insurance to informal self-help groups. In the United Republic of Tanzania, for example, around 1,000 market vendors of the Mwanayamala Cooperative in Dar es Salaam pay a small daily rate to rent stands. Part of the rent they pay goes towards providing death and hospital benefits for the cooperative's members. In India, the integrated insurance scheme of the Self-Employed Women's Association (SEWA) provides one of the largest contributory social security schemes in the country for informal workers, with insurance coverage for some 32,000 women workers. Similarly, in San Salvador, vendors of the central municipal market have access to a credit scheme for a health fund.

34. Cooperatives can also help to formalize informal economic activities. The ILO reports that many cooperatives start out as informal group enterprises but grow to become viable organizations which eventually register as legal business entities and join the ranks of the formal economy.²¹

B. Contribution to social integration and cohesion

35. The cooperative model can be a useful vehicle to promote social integration and cohesion in the face of inequalities in social capabilities, lack of social power and rights, lack of access to or exclusion from social services, markets and information. In many societies, social disintegration and dysfunction, racial and ethnic tension, and civil conflict have been attributed in part to increases in poverty and deepening inequalities. It is increasingly recognized that addressing such inequalities and problems should be a crucial component of poverty reduction strategies.²²

36. Cooperatives can help to empower and give voice to the poor by enabling them to organize federations and alliances. Efforts to promote the empowerment and participation of the poor in poverty reduction strategies would benefit from the cooperative model because the values and principles of cooperatives stress social responsibility and concern for community.

37. Cooperatives are often in a good position to promote and contribute to capacity-building and human capital investment because they often play a significant role in member training and education for the development of entrepreneurial and organizational skills, and in information sharing. In addition to capacity building efforts in their communities, cooperatives also enhance human capital investments through the training and services they offer. For example, credit unions in Bolivia, the Philippines and Ecuador provide education and access to health care and nutritional information to families in their localities. Symposiums, workshops and meetings organised by cooperative groups provide a forum for discussions of key issues, and lead to better and socially responsible decisions..

38. The values that guide cooperative organizations can assist the transmission of social values and promote useful role-modelling. In principle, the cooperative values of honesty, openness, social responsibility and caring for others encourage mutual understanding between diverse members, enabling them to work and live together in harmony. Moreover, cooperatives, whether in homogenous or heterogeneous societies, help instil familiarity with democratic processes by means of their procedures for member participation. Members are involved in consensus-building and decision-making. Thus, cooperative members develop commitment, accountability, trust and honesty and respect for the rights of other members. As these experiences are carried by members in other spheres of activity, the larger community benefits. Cooperatives have been helpful in bringing together hostile segments of communities together in situations of conflict to achieve common interests. In addition, cooperatives, by providing examples of successful members as role-models, showcase to their communities that given cooperative efforts, change and improvement from dire social and economic conditions are possible at the individual level.

39. The participatory and democratically-based approach of cooperatives also helps empower the poor and enables them to have more effective representation. Cooperative organisations defend and protect the economic and legal interests of cooperatives through representation to government bodies. For example, farmer cooperatives have advocated for farmer rights and welfare, including agrarian reform and fair marketing practices, before local and national governments. Thus, the marginalised poor and unemployed, especially those exploited and discriminated against due to gender, age, disability and other socio-cultural characteristics, benefit from memberships in cooperatives. Cooperatives can enhance social integration,

strengthen participatory democracy and improve societal stability and governance which are essential ingredients for the success of poverty reduction efforts.

40. Cooperatives often have the needed inherent flexibility for spatial or geographic reach. Cooperatives are formed as long as people, including those in remote areas, are willing to organise themselves to achieve a common goal. Thus, cooperatives are effective in providing opportunities and services in those areas not easily reached by private businesses and government services. Compared to other types of enterprises, many cooperatives are able to effectively operate in economically marginalised remote locations. Since most of the poor are in rural and remote areas, cooperatives have the advantage of being organised where they are needed, thereby becoming effective instruments for poverty reduction. As such, cooperatives are naturally suited for reaching the poorest poor. Cooperatives have also been effective in reaching areas of unrest and violence. In Colombia, for example, when banks fled areas of conflict, credit unions have been able to survive and provide essential financial services. In post-conflict Afghanistan, pilot credit unions are providing grassroots reconstruction and financial assistance for agricultural production.²³ Cooperatives have also been active in the relief, reconstruction and rebuilding efforts in the aftermath of the recent tsunami disaster.

41. Cooperatives can also contribute to increasing social integration and community cohesion when they specifically address the needs of the weakest and less privileged people in society and marginalised groups. Women find that membership in cooperative enterprises enable them to achieve economic empowerment, engage in entrepreneurial activities and stimulate employment generation. It also provides them with services for the growth and protection of their assets. Credit unions, for example, enable women to manage their own finances and to obtain credit for their business ventures. Furthermore, enrolment in health, child-care, community development and consumer cooperatives creates a social safety network that reduces household burdens and allows women to engage in more gainful economic activities. SEWA in India, for example, serves some 500,000 women through various cooperatives providing services such as door-step banking, rural production, health and child-care.²⁴

42. Associated with the improvement in the status of women are corollary benefits for children and young persons. The cooperative movement takes a particular interest in the situation of children by establishing cooperatives which aim to develop the talents and utilize the time of young persons. In Serbia, for example, youth cooperatives provide young men with help in finding short term employment. Italy has a programme for youth which provides education on the cooperative method.

43. Cooperatives are also especially useful in organising older persons for their mutual self-help. In many developed countries, retired older persons have organized to advocate for their own interests in public and private programmes that affect them, as well as to provide personal advice and counsel for those within their own age group. In Switzerland, the Migros consumer cooperatives federation has programmes to help members to assist older persons maintain and make use of their abilities. To address the demand created by the rapid ageing of the rural population, agricultural cooperatives in Japan have expanded services for older members. Health care cooperatives have also been formed in developed countries faced with an increasing population of older persons. Cooperative Care in rural Wisconsin was formed by caregivers and provides independent living support for their clients.²⁵

Box 2. Persons with disabilities in rural cooperative enterprises

Cooperatives have helped persons with disabilities rebuild their lives and reintegrate into their society in countries that have experienced conflict. In Sierra Leone, ten years of hostilities have drastically changed the lives of the population. Though war always takes a grave toll on a country, the situation in Sierra Leone is marked by the maiming of thousands of civilians. One FAO project is providing rural disabled persons with technical and business skills to contribute to their households' welfare and to the development of their communities.

Disabled persons have been trained in blacksmithing, food processing and other income-generating skills opening the way for them to make a good living and demonstrate that the disabled can make important contributions to their families.

With initial start-up capital and inputs provided by FAO, four training and production centres have been established in Bo, Bonthe, Tonkolili and Port Loko Districts. The centres are now fully owned and managed by persons with disabilities with support from community elders. Advisory services are provided by government extension agents from the Ministries of Agriculture, Social Welfare, Health and Education.

Blacksmithing was selected as a priority subject for training not only because it is an activity that can be readily adopted by persons with disabilities, but also because of its importance in Sierra Leonean society. As grassroots artisans, blacksmiths produce and repair farm implements and other tools. In this way they play a vital role in rural areas. The initiative helps to reintegrate persons with disabilities in political, social, economic and cultural life through rural cooperative enterprises.

Though the project represents a modest start in a country where the total number of persons with disabilities is estimated at 250,000, or around 4 percent of the total population, trainees have begun training fellow disabled community members in blacksmithing and other activities. To assist them and facilitate the replication of the programme in more areas, FAO has produced a training manual on agro-based income-generating activities for rural persons with disabilities.

44. Worker-owned cooperatives provide opportunities for the reintegration within societies of persons with disabilities through vocational rehabilitation, eventually enabling them to return to the labour force. In the Czech republic, the Union of Czech and Moravian producer cooperatives represents 302 entities of which 50 are cooperatives of persons with disabilities which employs 7,000 persons with disabilities. Additionally, service cooperatives are strong advocates to address the concerns and interests of persons with disabilities such as occupational safety, quality control of consumer commodities and measures to promote healthy living.

45. Cooperatives can economically empower indigenous peoples, while helping them preserve their distinct socio-cultural heritage. Cooperatives controlled by indigenous peoples typically utilise local resources and adapt production methods to be consistent with local and distinct social values. Moreover, indigenous peoples through their cooperatives can develop the credibility and effective representation needed for negotiating fair market terms. In the Philippines, the objectives of indigenous peoples' cooperatives include, among others, the preservation and promotion of indigenous culture and the conservation and protection of natural resources and the environment.²⁶

46. Migrants in many developed countries benefit from cooperatives which support them through the provision of affordable housing, vocational training and education. Migrant cooperatives also serve an important socio-political function in assisting with the resettlement or reintegration of refugees or the internally displaced.

C. Survey of Member States and apex cooperative organizations

47. A short questionnaire was sent to all Member States seeking their views on the contribution of cooperatives to poverty eradication. At the same time a questionnaire was also sent to apex cooperative organizations to seek their views. This section of the present report is based on the responses received from 35 Member States and 38 apex cooperative organizations.²⁷ The results of both surveys are summarized in Tables I and II.

48. A majority of the member states that participated in the survey reported that their policies for socio-economic development include a role for cooperatives, and that cooperatives are promoted as part of an agricultural development strategy. Most Member States also reported that they believed that cooperatives can contribute to poverty reduction. This result is consistent with the responses received from most apex cooperative organisations on this question. In general, apex cooperative organizations believed that the Government in their countries recognizes the role cooperatives can play in socio-economic development and agricultural development. In addition, a majority of apex cooperative organizations reported that their affiliated cooperatives help to reduce poverty primarily among their members, and to a lesser degree, among non-members within their community.

49. On the involvement of cooperatives in national poverty reduction programmes, roughly two-thirds of Member States reported that cooperative concerns and perspectives were incorporated in their national poverty reduction programmes, such as the Poverty Reduction Strategy Paper (PRSP). In addition, 61 per cent of Member States reported that cooperatives were also involved in the design, implementation or monitoring of the poverty reduction programme or PRSP. It is interesting to note that on this same issue, less than half of apex cooperative organizations believed that governments incorporated cooperative concerns and perspectives in their national poverty reduction programmes. A similar proportion of apex cooperative organizations believed that their affiliated cooperative organizations participated in the design, implementation or monitoring of the national poverty reduction strategy.

50. However, responses from apex cooperative organization on how governments involve cooperatives in the PRSP process indicate that they believed affiliated cooperatives are involved mainly in the implementation and less in the design and monitoring aspects of PRSPs. A similar pattern was reported by Member States. Some apex cooperative organizations noted that cooperatives are not consulted in the drafting of poverty reduction strategies or PRSPs. This suggests that perhaps there is room for governments to improve the participation of cooperatives in the design, implementation or monitoring of national poverty reduction strategies and programmes.

51. Nearly all Member States reported that there is an agency that deals with the cooperative sector and implements programmes on cooperative issues, that the Government has adopted cooperative development policies, and that there are specific actions on cooperative law. These responses suggest that in many countries the basic institutional and legal framework to support

cooperatives are in place. To strengthen and support cooperatives, several responding Member States have approved and enacted new laws and cooperative codes and have amended and elaborated old ones to provide a conducive environment for cooperatives that reflects global socio-economic changes. Most apex cooperative organisations, however, perceive that their governments do not do enough to assist cooperatives in obtaining technical assistance from donors suggesting that Governments could enhance services in this area to help in capacity building.

52. On the issues of gender equality, the apex cooperative responses overwhelmingly report that their affiliated cooperatives promote gender equality, have no restrictions on women's participation, and that women participate in the management of the cooperatives. In order to promote gender equality, apex cooperative organization have taken measures such as capacity building through leadership and skills development for women, the promotion of non-discriminatory hiring procedures and establishment of quotas for the participation of women in leadership positions within the organisation.

Table 1. Summary responses to survey of Member States

	<i>Yes (per cent)</i>	<i>No (per cent)</i>	<i>No. of Responses</i>
<u>Promotion of cooperatives</u>			
Policies for socio-economic development promote the role of cooperatives	94	6	35
Cooperatives are promoted as part of an agricultural development strategy	75	25	32
<u>Role of cooperatives in poverty reduction</u>			
Believe cooperatives contribute to poverty reduction	89	11	35
Cooperative concerns and perspectives are incorporated in the country's poverty reduction programmes, such as the Poverty Reduction Strategy Paper (PRSP)	67	33	33
Cooperatives are involved in the design, implementation or monitoring of the PRSP	62	38	24
<u>Supportive environment for cooperative development</u>			
There is an agency that deals with the cooperative sector and implements programmes on cooperative issues	94	6	35
Government has adopted cooperative development policies	91	9	32
There are specific actions on cooperative law	97	3	32
There are capacity building activities and programmes for members of cooperatives	69	31	32
There are programmes, in partnerships with cooperatives, that provide financial support for the formation and/or expansion of cooperatives	76	24	33
There are policies that specifically encourage the membership of disadvantaged groups in cooperatives	76	24	33

Table 2. Summary of responses to survey of apex cooperative organizations

	<i>Yes (per cent)</i>	<i>No (per cent)</i>	<i>No. of Responses</i>
<i>Promotion of cooperatives</i>			
Cooperative organisations that believe governments include the role of cooperatives in policies for socio-economic development	83	17	36
Cooperative organisations that believe their government promotes cooperatives as part of its agricultural development strategy	86	14	36
<i>Role of cooperatives in poverty reduction</i>			
Cooperative organisations whose affiliated cooperatives help to reduce poverty among their members	92	8	37
Cooperative organisations that believe their government incorporates cooperatives' concerns and perspectives in the country's poverty reduction programmes, such as the Poverty Reduction Strategy Paper (PRSP)	43	57	35
Cooperative organizations that perceive their affiliated cooperatives as having involvement in the design, implementation or monitoring of the PRSP	42	58	36
<i>Supportive environment for cooperative development</i>			
Cooperative organizations that perceive their government as assisting cooperatives in obtaining technical assistance from donors	38	62	34
Cooperative organizations that see their affiliated cooperatives as being involved in the drafting of laws and regulations to create a supportive environment for cooperative development	85	15	34
Cooperative organizations which provide education and/or training to the members of the affiliated cooperatives	91	9	35
<i>Cooperatives and gender equality</i>			
Apex organizations that promote gender equality among affiliated cooperative society members	82	18	34
Cooperative organizations which perceive their affiliated cooperatives as having restrictions on the participation of women or men in cooperatives	0	100	35
Cooperative organizations whose affiliated cooperatives involve women in the management of the cooperatives	97	3	34
<i>Education and training</i>			
Cooperative organisations whose affiliated cooperatives provide indirect benefits to non-members of cooperatives within the community	82	19	33

53. The responses from the survey suggest that there is room for enhanced collaborative partnerships between these governments and their national cooperative movements to more fully realise the potential of the cooperative enterprise in empowering poor people to lift themselves out of poverty.

IV. Challenges and recommendations

54. A special challenge for cooperatives is to actively restructure and revitalise themselves to fully achieve their potential in enabling the poor to lift themselves out of poverty. While cooperatives have traditionally focused on local concerns of their members and their communities, now, more than ever, cooperatives need to strengthen themselves and adapt to the new realities of the global marketplace.

55. In order to ensure their viability and sustainability, cooperative enterprises need to expand their sources of financing to include non-traditional, non-governmental partners. Given the decline in state-sponsored cooperative networks, cooperatives need to seek new forms of external capitalization to diversify their sources of funding without jeopardizing their democratic approach and autonomy.

56. Increasing globalisation, especially the opening up of markets for agricultural products, can and has hit cooperatives in the agricultural sector very hard. To adapt to this new global reality, cooperatives should take advantage of information and biotechnologies, introduce farm policy changes, and adopt new approaches and strategies of doing business. To secure their survival, cooperatives should take measures to enable them to offer high quality goods and services at competitive prices by undertaking innovations such as product diversification to adjust to shifting market demands. For example, the Dinesh Bidi Workers Cooperative in Kerala, India diversified its products from beedis (rolled cigarettes) to food after the decline in demand for beedis. Its 40,000 employees, 80 per cent of them women, were retrained to produce processed food instead of rolling cigarettes.²⁸ In addition, the cooperative has also diversified into ICT with the launch of a research and software development centre.

57. Another challenge to cooperatives is to avoid the legacies of political or external intrusions which make them vulnerable to changes in political leadership or the vagaries of political interests. Without strong membership, support and participation, cooperatives are left weak, unresponsive and detached from their communities. It is essential that cooperatives be truly voluntary, autonomous and run by their members to ensure that the interests of members are not compromised.

58. Cooperatives need to broaden and deepen their outreach by promoting self-organization of the poor, underprivileged and marginalised populations in rural and urban areas consistent with the community-driven approach to development. To do so, it is necessary to raise the visibility of cooperatives to showcase the opportunities offered by cooperatives to citizens and to further inform Governments of the potential benefits to society of cooperative activity.

59. Since 70 per cent of the world's poor reside in rural areas, support for cooperatives in the agricultural sector needs to be strengthened, for example by facilitating increased agricultural productivity through sustainable use of natural resources and the creation of non-farm employment. The increased participation of women in cooperatives should be promoted, particularly for rural-based cooperatives as well as production and service cooperatives by building on their successful experience with microfinance cooperatives.

60. Cooperatives can play an important role in the PRSPs. The emphasis on the participatory approach in the PRSP process, specifically the involvement of the poor, offers an opportunity for cooperatives and cooperative apex organisations to be effective participants. Responses by

cooperative apex organisations to the questionnaire suggest that cooperatives are more involved in the implementation and less in the design and monitoring aspects of the PRSP.

61. Given their grass-root reach, cooperatives can help implement financial programmes that target lower income households, through microcredit and insurance; provide job training and retraining, subsidize the creation of small businesses; and serve as conduits for the delivery of government services. While some mature cooperatives have been consulted in the design and monitoring of PRSPs, more can be done. To fully involve cooperatives, strengthened cooperative federations can provide a more effective voice and representation of the poor in the PRSP process, especially at the national level. At the local level, cooperatives provide the collective force for articulating the needs of the poor in the process and in successfully reaching and benefiting the poor themselves. The PRSP process needs to formally solicit and incorporate the participation of cooperatives in the design, implementation and monitoring stages.

62. Effective partnerships among cooperatives and with the Government should be strengthened. Membership and active participation in apex cooperative organizations, particularly in the International Alliance of Cooperatives (ICA) will enhance global awareness and support. Advantages to partnerships include the more effective exchange of resources, training and technical assistance among cooperatives. Through shared databases on good practices, cooperatives can easily obtain successful examples, experiences and important lessons learned. Related to this is the need to improve statistics on cooperatives and how they impact national economies, as suggested by the quality of responses to the questionnaires on this subject.

63. Governments, in consultation and/or collaboration with the cooperative movement, can further promote the growth and viability of cooperatives by reviewing, amending and enacting legislation, administrative procedures and requirements that are consistent with the formation and growth of cooperatives in a rapidly changing socio-economic environment. Furthermore, programmes to improve access to technology and to enhance capacity building by strengthening organizational, leadership and financial skills of cooperative members also need to be introduced or enhanced, to ensure the long-term viability of cooperatives. Finally, Governments need to provide a level playing field for cooperatives as well as utilise cooperatives as competitive suppliers of goods and services along with other businesses in order to promote the role of cooperatives as effective partners in the poverty reduction. In countries where they do not yet exist, a joint consultative council or advisory body also need to be organized to improve dialogue and partnerships between cooperatives, governments and other social institutions.

64. On the basis of this report, the General Assembly may wish to consider the following recommendations and invite Governments, international organisations, in partnership with cooperatives and cooperative organisations to:

- (a) **Promote the greater participation of cooperatives and apex cooperative organizations in poverty reduction, in particular the design, implementation and monitoring of PRSPs where they exist. In this regard, it will be important to also take steps to improve the collection and dissemination of information and data on the role of cooperatives in poverty reduction and their contribution to social and economic development;**

- (b) Review, amend or enact legislations, including administrative procedures and requirements in order to enhance the growth and sustainability of cooperatives and apex cooperative organizations in a rapidly changing socio-economic environment; broaden and deepen the outreach of cooperatives among the poor, particularly those in the rural or agricultural sector; and promote the participation of women and vulnerable groups in cooperatives across all sectors;**
- (c) Introduce and support programmes to improve the access of cooperatives to technology and enhance capacity building by strengthening the organizational, management and financial skills of members of cooperatives, and in this regard, to assist cooperatives in obtaining necessary technical assistance from donors;**
- (d) Provide a political, social and economic enabling environment that will ensure and protect the autonomy and democratic principles of cooperatives while at the same time ensuring a level playing field for cooperatives as competitive suppliers of goods and services to government and the private sector. Such a supportive environment can be promoted, inter alia, by effective partnerships and dialogue between Governments and cooperatives through joint consultative councils and/or advisory bodies.**

Appendix

List of Responding Member States

Bahrain, Kingdom of	Mexico
Bosnia and Herzegovina	Mongolia
Chile	Myanmar, Union of
Colombia	Panama
Cyprus	Philippines
Dominican Republic	Portugal
Ethiopia, Federal Democratic Republic	Senegal
Fiji	Serbia and Montenegro
Georgia	Singapore
Indonesia, Republic of	Slovak Republic
Iran, Islamic Republic of	Sri Lanka
Jordan, H. K. of	Syrian Arab Republic
Korea, Republic of	Tanzania, United Republic of
Kuwait	Thailand
Lebanon	Trinidad and Tobago
Lithuania	Turkey
Malaysia	Zambia
Maldives, Republic of	

List of responding Apex Cooperative Organizations

All China Federation of Supply and Marketing Cooperatives
Asociación Colombiana de Cooperativas ASCOOP
Association of Asian Confederation of Credit Union
Belgian organization of farm managers
Botswana Co-operative Association (BOCA)
Centrosojuz RF-Central Union of Consumer Co-op Societies of Russian Federation
Confcooperative - Confederazione Cooperative Italiane
Confederación de Cooperativas Agrarias de España
Confederación de Cooperativas de Colombia - CONFECOOP
Confederación Paraguaya de Cooperativas (CONPACOOPTda.)
Conseil Canadien de la Cooperation
Cooperative Bank of Kenya
Cooperative Central Bank Ltd.(Cyprus)
Cooperative Society Lithuanian Union of Cooperative Societies (Litcoopunion)
Cooperative Union of Serbia
Cooperative Union of Slovenia Ltd.
Cooperativas Agrarias Federadas (CAF)
Cooperative Association of the Czech Republic
Cyprus Turkish Cooperative Central Bank, Ltd.
Federation of Free Farmers Cooperatives, Inc. (FFFCI)
Groupement National de la Cooperation (GNC)
Institute for Indonesian Cooperative Development (LSP2I)
Japan Worker's Cooperative Union
Kooperativa Förbundet
Liga de Cooperativas de Puerto Rico
International Cooperation (Republic of Korea)
National Association of Cooperative Savings and Credit Unions
National Cooperative Federation of Nepal Ltd. (NCF/N)
National Cooperative of India
National Union Italian Cooperatives (U.N.C.I.)
National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren)
Pellervo, Confederation of Finnish Cooperatives
Riksbyggen ekonomisk forening
Sri Lanka Consumer Cooperative Societies Federation Ltd.
The Cooperative League of Thailand
Union Regionale des Cooperatives d'Epargne et de Credit du BAM (URC.BAM)
Vietnam Cooperative Alliance (VCA)
Zenrosai (National Federation of Workers & Consumer Insurance Cooperatives)

Notes:

- ¹ Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995 (United Nations publication, Sales No. E.96IV.8) Part I, Commitment 9 sub-para (h)
- ² Birchall, J., “Cooperatives and the Millennium Development Goals”, International Labour Organization, 2004, p.96.
- ³ Coops: Schools for Democracy, United Nations, DPI/1716/COOP.
- ⁴ Andrew B. and Linda S., (eds.), “Making a Difference, Cooperative solutions to global poverty”, Co-operative College, 2005. p.53.
- ⁵ Ibid, p.22.
- ⁶ Kurien, Verghese, “India’s Milk Revolution – Investing in Rural Producer Organizations”, paper presented at the World Bank conference “Scaling up poverty reduction: A global learning process and conference,” Shanghai, 25-27 May 2004.
- ⁷ “Can Cooperatives save the world?”, Developments, The International Development Magazine, Special Edition, DFID, <http://www.developments.org.uk>, accessed 10 June 2005.
- ⁸ World Council of Credit Unions, “The Credit Union Difference”, Vol. 7, No. 1, April 2005, p.2
- ⁹ Ibid, p.3.
- ¹⁰ Andrew B. and Linda S., (eds.), op.cit., p.35.
- ¹¹ Birchall, J, “Rediscovering the cooperative advantage, Poverty reduction through self-help”, International Labour Organization, 2003, p.57.
- ¹² Ibid, p.55.
- ¹³ Andrew B. and Linda S., (eds.), op.cit., p.44.
- ¹⁴ Ibid, p. 36.
- ¹⁵ Ibid, p. 37.
- ¹⁶ United Nations, The Millennium Development Report, 2005, p. 33.
- ¹⁷ Birchall, J., “Rediscovering...”, op.cit., p44.
- ¹⁸ Andrew B. and Linda S., (eds.), op.cit., p.39.
- ¹⁹ International Labour Organization, Decent Work and the Informal Economy, International Labour Conference, 90th Session, 2002, ILO, Geneva, pp 92-94.
- ²⁰ Ibid, p.1.
- ²¹ Ibid, p.92.
- ²² United Nations, “Report on the World Social Situation, 2005”, 2005, para 65.
- ²³ World Council of Credit Unions, op.cit., p.10.
- ²⁴ Andrew B. and Linda S., (eds.), op.cit., p.47.
- ²⁵ Birchall, J., “Rediscovering...”, op.cit., p.60.
- ²⁶ Birchall, J., “Cooperatives...”, op.cit. p.78.
- ²⁷ The appendix lists the Member States and Apex cooperative organisations that participated in the survey.
- ²⁸ Bindu, R.L., “Indian coop cushions globalization through diversification:”, Inter Press Service, 01 April 2002.