



International Organisation of Industrial, Artisanal and Service Producers' Cooperatives

A sectoral organisation of the International Cooperative Alliance (ICA)



Cooperative development strategy

Applied to worker, social and artisans' cooperatives

A. Cooperatives and development

Cooperatives are fundamental actors in development (see frame below) considering their achievements, experience and expertise in this field. By approving Recommendation 193/2002 of the International Labour Organisation, most governments of the world have recognized that *"The promotion of cooperatives guided by the [cooperative] values and principles (...) should be considered as one of the pillars of national and international economic and social development"*¹. The cooperative model is thus to be seen as an essential tool for the development of emerging, developing and developed countries.

Other international organisations such as the United Nations, and regional ones like the European Union, have emphasized the importance of employment and decent work in their development policies as well. The second target of the first Millennium Development Goal (MDG) of the United Nations is to "achieve full and productive employment and decent work for all, including women and young people". Social cohesion and employment are important fields of activities in the European Consensus on Development². These activities are financed through geographic and thematic instruments: in the European programme "Investing in People", 8% of the budget is allocated for "social cohesion, employment and decent work".

Development, as promoted by cooperatives, relies on the following tenets:

- **Fundamental human needs and aspirations**, in particular, needs and aspirations corresponding to economic, social and cultural human rights (such as employment, education, health, etc.), are an end in itself for cooperatives
- **Capacity-building and empowerment:** Education is a key cooperative principle (see Annex 1. at the end of the document), as it is linked to joint ownership and democratic control. In fact, cooperatives are learning organisations, and their learning process is directly geared towards the empowerment of the local communities

1 ILO Recommendation 193/2002, paragraph 7 (1), available on www.ilo.org

2 http://europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm

- Joint **ownership** and **democratic** control: The persons who own cooperatives jointly and control them democratically are the same stakeholders who seek the satisfaction of fundamental needs and aspirations.
- **Community-based development**: Departing from an active and locally-based bottom-up dynamic, cooperatives are characterized by a strong link between the enterprise on the one hand, and the territory and the people working nearby on the other, thus concurring in the generation of trust.

As a result, **cooperatives pursue a people-centred development** and affirm the pre-eminence of the real economy over the financial economy, favouring sustainable economic and social added value over financial profit. Thence, they have a huge capacity of development and of building a fairer world. The more cooperatives and other types of enterprises controlled by their own stakeholders will develop in the world, the more income distribution and social justice there will be.

Within this context, **worker cooperatives, social cooperatives and artisans' cooperatives have a specific developmental role**. Indeed, they focus on key components of development: **the creation and maintenance of jobs and industrial or service activities** (for worker and social cooperatives), **community services and services of general interest** (for social cooperatives) and **the development of local individual productive activities** (bakers, mechanics, masons, lorry drivers, etc) (for artisans' 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-owned and democratically-controlled enterprise", according to the international cooperative standards enshrined in the ICA Statement on the Cooperative Identity and in ILO Recommendation I93. Accordingly, cooperatives are full-fledged economic organisations active in all entrepreneurial activities. but, their entrepreneurial character is undissociable from a) their being associations of persons (and not of capital) who aim to satisfy their common needs and aspirations and b) their being jointly owned and democratically controlled by those same persons.

, As per the same international standards, cooperatives are based on a series of underlying values: self-help, self-responsibility, democracy, equality, equity and solidarity, honesty, openness, social responsibility and caring for others; and function according to 7 operational principles: voluntary and open membership, democratic member control, members' economic participation, autonomy and independence, training, education and information, cooperation among cooperatives, and concern for the community (see annex).

The members of the cooperative have a double identity: on the one hand, they are joint owners, and, as such, exert joint control and democratic management over their enterprise; on the other, they belong to one or several fundamental socio-economic roles (producers, consumers, services users, etc.).

B. Cooperative development strategy in economic and environmental crisis

In the period of economic and environmental crisis, cooperatives are proved to be a more adequate instrument for development projects.

The development strategy must **take into account the specific and unfavourable context in which the world economy finds itself at present.**

Whereas many other economic actors downsize their staff while experiencing economic difficulties, the cooperative movement privileges a development strategy based on **employment and the social welfare** of its members and workers, and of their families.

Even though cooperatives support the shock of the recession in a more mitigated fashion than other types of enterprises, they must make a particularly important effort towards savings, rationalization at all levels, and reinvestment in the production tool. In addition, as the economic context changes rapidly, it is very important that concrete measures are taken on time, and information regarding successful experiences of the cooperative movement have to be shared rapidly. Indeed, the cooperative development strategy must avail itself of the good practices that exist in its international entrepreneurial network, as they can ensure the continuity and stability of individual development initiatives.

In addition, it is necessary to reinforce the competitiveness of cooperatives on the national and global market, because, while they must always **maintain their social character**, they first of all **need to compete economically**. Thus, in order to develop and ensure their mission, they must utilize all types of economic tools that are compatible with their mission and principles.

A cooperative development strategy must also face the enormous environmental challenge which is in front of us all: saving the planet will require drastic policies in terms of production and consumption patterns. As citizen-based enterprises, cooperatives can more easily operate this adaptation than enterprises centred on the remuneration of capital. But this **environmental approach to development** should be clear from the onset.

C. The three levels of the cooperative development strategy

The cooperative development strategy includes **basic factors through which cooperatives develop in a given territory and community, and at the national, regional and international level**. It provides the basic elements which are necessary to develop cooperatives **in a sustainable way**, and to ensure that cooperatives act as agents of in-depth local and regional development.

We can distinguish 3 levels in the cooperative development strategy:

1. Micro-level
2. Meso-level
3. National and international level

1. Micro-level

A cooperative development process always starts at micro-level. People should be able to establish cooperatives with low administrative requirements. **In countries where the informal sector is strong, pre-cooperatives should be allowed to be established and subsequently gradually transformed into full-fledged formal-sector cooperatives.**

In order to kick-start a cooperative development process, a basic support system is necessary, which can:

- Identify meeting places where the ideas of cooperatives can be discussed, and where the **mobilisation of actors** can be initiated
- Provide **education** and **training**, delivering the necessary fundamental skills to start a cooperative enterprise.
- Provide **advice**, with a group of supporting experts and advisory services that guarantee the following up of the activities.
- initiate a **credit system**: initial credit has to be provided by established or provisional cooperative meso-level institutions (see section 2 below), within the framework of a basic project;

2. Meso-level

Cooperative action in development cannot be intended as merely "micro". **A "meso" dimension, corresponding to the 6th cooperative principle of inter-cooperation, is equally fundamental.** Meso-level institutions are crucial to the sustainable development of cooperatives.

The following meso-level structures are crucial to consolidate and optimize a cooperative development process:

- **Business support institutions**, deep-seated in the territory, such as cooperative development centres, training centres, advisory institutions, R&D institutions, non-banking financial instruments (allowing for a better access to bank loans) etc. They aim at promoting and supporting cooperative enterprises in order to ensure the long-term sustainability of their activity, including the development of new entrepreneurial models and solutions in response to articulated needs and aspirations.
- **Consortia** and **groups** of cooperatives that cluster to engage in common activities or share their resources to achieve common goals.
- **Local/regional/national federations**, according to the dimensions and needs of the cooperative movement. They are responsible for the representation of interests with institutions (public authorities, trade unions, universities etc) and other types of associative/political networking among the represented cooperatives. The autonomy and democracy of meso-level institutions (whose leadership is elected by members) from governments guarantees a commitment centred on members/beneficiaries and the reflection of the grassroots' will.

3. National and international level

It is fundamental:

- to create or reinforce a **coherent system of representation** (sub-national and national, sectoral and inter-sectoral) that represents all the cooperatives in a given national environment, and able to transform the cooperative local development experience into regional and national public policies and legislation (aimed to regulate, control and promote cooperatives) through lobbying and negotiations, and, when possible, by being permanent actors in national consultation bodies or social dialogue bodies;
- to engage in a **comparative legislation work** and improve the **legal cooperative framework** (intersectoral/sectoral), as far as worker, social and artisans' cooperatives are concerned;
- to **promote international cooperation, including trade, among cooperatives**, thus helping cooperatives to take part in the globalised economy;
- to support the creation of local, regional, national and international **networks of cooperatives**, able to share and exchange business relationships, expertise, knowledge, know-how and good practices. Network building is possible and desirable at each organisational and geographical level;
- to support the creation and strengthening of national, regional and global **chains of production and distribution** in which cooperatives are present partly or totally and on which they can have partial or total control.

D. Evaluation and follow-up

In order to properly evaluate and follow-up the effects of the cooperative development strategy, the following will have to be gradually elaborated:

- Some built-in way of measuring and assessing the effects of cooperative development, through statistical data and other indicators.
- The appointment of specific global committees within CICOPA for specific sectors, such as: health protection, medical services, culture, environment etc.
- An adaptation of this cooperative development strategy to the various national and regional contexts, with corresponding evaluation indicators

Annex 1. Cooperative principles

The seven cooperative operational principles are:

1. **Voluntary and open membership:** cooperatives are not closed interest groups, but, on the contrary, are open to the society which surrounds them. Of course, only persons who can use their services can be members: for example, to be an agricultural producer in order to join an agricultural cooperative, a local consumer in order to join a consumer cooperative, or a person corresponding to a specific job profile and having gone through a normal job selection process in a worker cooperative.
2. **Democratic member control:** individual grassroots cooperatives are regulated by internal governance processes which are strictly based on the "one person one vote" system. Cooperatives of cooperatives often have voting regimes based on the number of members in each of the grassroots cooperatives.
3. **Member economic participation:** on the one hand, as co-owners, the members participate in the share capital of the cooperative; on the other, cooperatives institute a very specific system of surplus allocation, which prioritizes both the constitution of common reserves for the long-term development of the enterprise and redistribution to members based prevalently on the intensity of their transactions with the cooperative (volume of purchase or sales for producers and users' cooperatives, volume of work and level of remuneration for worker and social cooperatives);
4. **Autonomy and independence:** in spite of their specificities, cooperatives are full-fledged private enterprises, and on no account can be seen as some sort of semi-public organizations; as such, they must enjoy the same level of independence as any private enterprise.
5. **Education, training and information:** in order to be enterprises that are really managed democratically by ordinary citizens, cooperatives necessarily have to invest important resources and energy on education, in particular entrepreneurial and management education.
6. **Cooperation among cooperatives:** the same type of cooperation among members which exists in a cooperative should develop among cooperatives in a given district, nation or region and at the world level.
7. **Concern for community:** being open to potential members within the surrounding community (1st principle above) and dedicated to building long-term socioeconomic activities in the community (see 3rd principle above), cooperatives logically cannot develop as "islands" that are isolated from their surrounding community. They have a long-term mission towards this community.