



International  
Labour  
Organization



# Cooperatives and the Sustainable Development Goals

A CONTRIBUTION TO THE POST-2015 DEVELOPMENT DEBATE  
A POLICY BRIEF



## INSTITUTIONAL BACKGROUND

*The International Co-operative Alliance (ICA)* is an independent, non-governmental organization established in 1895 to unite, represent and serve cooperatives worldwide. It provides a global voice and forum for knowledge, expertise and coordinated action for and about cooperatives. Alliance members are international and national cooperative organizations from all sectors of the economy, including agriculture, industry, services, banking, retail, fisheries, health, housing, and insurance. The Alliance has members from one hundred countries, representing one billion individuals worldwide.

*The International Labour Organization (ILO)*, a specialised agency of the United Nations, aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues. The ILO views cooperatives as important in improving the living and working conditions of women and men globally as well as making essential infrastructure and services available even in areas neglected by the state and investor-driven enterprises. The Cooperatives Unit of the ILO serves ILO constituents and cooperative organizations and collaborates with cooperative development agencies and training institutions in four priority areas:

- *Raising public awareness on cooperatives* through evidence based advocacy and sensitization to cooperative values and principles;
- *Ensuring the competitiveness of cooperatives* by developing tailored tools to cooperative stakeholders including management training, audit manuals and assistance programmes;
- *Promoting the inclusion of teaching* of cooperative principles and practices at all levels of the national education and training systems; and
- *Providing advice on cooperative policy* and cooperative law, including participatory policy and law making and the impact on cooperatives of taxation policies, labour law, accounting standards, and competition law among others.

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# PART ONE

## COOPERATIVES AND THE POST-2015 DEBATE

As we approach the Millennium Development Goals' (MDGs) target date of 2015, global, regional, national and online thematic consultations have been taking place to frame the post-2015 global development agenda. A consensus on goals, targets and indicators for sustainable development will have to be reached before the end of 2015. The big questions revolve around the ways the international community will respond to the pressing issues of economic development, environmental protection and social equity in a sustainable manner.

In total, about one billion people are involved in cooperatives in some way, either as members/customers, as employees/participants, or both. Cooperatives employ at least 100 million people worldwide. It has been estimated that the livelihoods of nearly half the world's population are secured by cooperative enterprises. The world's 300 largest cooperative enterprises have collective revenues of USD 1.6 trillion, which are comparable to the GDP of the world's ninth largest economy-Spain.<sup>1</sup>

As value-based and principle driven organizations, cooperative enterprises are by nature a sustainable and participatory form of business. They place emphasis on job security and improved working conditions, pay competitive wages, promote additional income through profit-sharing and distribution of dividends, and support community facilities and services such as health clinics and schools. Cooperatives foster democratic knowledge and practices and social inclusion. They have also shown resilience in the face of the economic and financial crises.

### *Cooperative Principles*

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

Source: [www.ica.coop](http://www.ica.coop)

Hence, cooperatives are well-placed to contribute to sustainable development's triple bottom line of economic, social and environmental objectives plus the governance agenda, not least because they are enterprises that endeavour to meet the economic progress of members while satisfying their socio-cultural interests and protecting the environment. They offer an alternative model for social enterprise, with contributions to sustainable development well beyond job creation. Since cooperatives' share in GDP and total enterprises is currently relatively small in most countries, their promotion and expansion could be an important instrument for achieving the Sustainable Development Goals (SDGs).

This brief highlights the contribution of cooperatives to sustainable development and stimulates discussion on the role of cooperatives in the design and implementation of the SDGs that will succeed the Millennium Development Goals.

The detailed content of the SDGs is already being discussed and debated by international organizations, states and civil society organizations; yet cooperatives themselves have only recently become active. Consequently, the voices of cooperatives and the cooperative movement as a whole are not being heard clearly and their involvement in the process of developing SDGs has not reached its full potential. This is in spite of the fact that the 2012 Rio+20 United Nations Conference on Sustainable Development recognized the potential role of cooperatives in the realization of sustainable development.<sup>2</sup>

One possible reason for the invisibility of the cooperative option in the debate is a lack of understanding of the actual and potential contribution of cooperatives to sustainable development, partly due to the disparate nature of literature on this subject. This review is an attempt to begin to fill this gap.

The full report shows that though cooperatives were not actively engaged in the design and implementation of MDGs, they made significant contributions to the realization of these goals. Since the post-2015 development agenda substantially builds on the gains of MDGs, the contribution of cooperatives to such gains reaffirms their relevance in the on-going debate on the post-2015 development agenda. This is not just in the interest of continuity, but also for the sake of sharing experiences learned in the process of working towards the realization of MDGs that may help avoid past mistakes in designing the future development agenda. Cooperatives and the cooperative movement have a wealth of experiences to share that will help the design and implementation of the SDGs.

*With more active and strategic involvement of the cooperative movement globally, there are opportunities to make cooperative issues acknowledged, and their voices heard in the post-2015 debate, and reflected in the SDGs.*

### ***What is a cooperative?***

A cooperative is defined as “an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises.”

Source: ILO (2002), “Recommendation 193 Concerning the Promotion of Cooperatives,” Geneva: ILO (Available at: <http://www.ilo.org/images/empent/static/coop/pdf/english.pdf>).

While more than half the respondents in an ILO survey of the cooperative movement indicated that they have participated in the post-2015 consultations, the involvement of cooperatives in the design of the post-2015 development agenda has been hampered for a variety of reasons.

- One reason reported is that cooperatives tend to be more preoccupied with local issues than the national, regional and international ones. Since their basic concern is to serve their members’ individual and communal concerns, their voice and presence tends to fade with any focus towards the national, regional and international scenes.
- Another important reason given however, was that the cooperative movement was not invited to or included in the post-2015 development agenda consultations, or did not know about them.<sup>3</sup> More recently, international cooperative and mutual movement leaders have been more actively engaging in the UN processes around the post-2015 development framework.

## PART Two

# COOPERATIVES AND THE PROPOSED SUSTAINABLE DEVELOPMENT GOALS

Cooperatives are highly relevant and important in the realization of the proposed sustainable development goals.

This brief highlights the actual contribution of cooperatives to the twelve SDGs proposed by the High-Level Panel of Eminent Persons in the Post-2015 Development Agenda in their report of 2013. Though the specific goals, targets and indicators will not be agreed upon until September 2015 as part of the ongoing process, these twelve proposed goals reflect the range of themes that will likely be covered by the SDGs.

### *The Illustrative Sustainable Development Goals, as proposed by the High-level Panel of Eminent Persons on the Post-2015 Development Agenda*

1. End poverty
2. Empower girls and women and achieve gender equality
3. Provide quality education and lifelong learning
4. Ensure healthy lives
5. Ensure food security and good nutrition
6. Achieve universal access to water and sanitation
7. Secure sustainable energy
8. Create jobs, sustainable livelihoods and equitable growth
9. Manage natural resource assets sustainably
10. Ensure good governance and effective institutions
11. Ensure stable and peaceful societies
12. Create a global enabling environment and catalyse long-term finance

Source: HLP (2013), "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development," New York: United Nations (Available at: <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>, accessed on 15th November, 2013).

## POVERTY REDUCTION

There is a widely held consensus among many actors, including the United Nations (UN), the International Labour Organization (ILO), and the International Co-operative Alliance (ICA), that the cooperative enterprise is the type of organization that is most suited to addressing all dimensions of reducing poverty and exclusion. The way cooperatives help reduce poverty is important - they identify economic opportunities for their members; empower the disadvantaged to defend their interests; provide security to the poor by allowing them to convert individual risks into collective risks; and mediate member access to assets that they utilize to earn a living.

For instance, while savings and credit cooperatives (SACCOs) facilitate their members' access to financial capital, agricultural cooperatives help farmers access the inputs required to grow crops and keep livestock, and help them process, transport and market their produce. Similarly, consumer cooperatives make it possible for their members and the society at large to access good quality household supplies like food, clothing, and other products at affordable prices. Such services help pull members out of poverty.

Agricultural cooperatives are well recognized for their poverty reduction efforts: In Tanzania, improved cooperative marketing of agricultural products like milk and coffee has meant that cooperative members can afford fees for education of their children; in Egypt, 4 million farmers derive income from selling agricultural produce through agricultural marketing cooperatives;<sup>4</sup> and in Ethiopia, 900,000 people in the agricultural sector are estimated to generate most of their income through cooperatives.<sup>5</sup>

SACCOs also contribute to poverty reduction: In Kenya, development loans have been used to buy land, build houses, invest in businesses and farming, and buy household furniture; in Ghana, members frequently obtain loans from the University of Ghana Cooperative Credit Union to support informal businesses that supplement their wage income; in Rwanda, members of a cooperative and trade union for motorcycle taxi drivers used loans to buy their own motorcycles, instead of paying extortionate daily rental fees; and in Tanzania and Sri Lanka, multi-purpose and SACCOs enable members to receive small loans to support their own self-employment through retail shopkeeping, farming or keeping livestock, and provide working capital and loans to grow small businesses.

Cooperatives also contribute to poverty reduction by providing employment, livelihoods and wide variety of services, as discussed below.

## GENDER EQUALITY

*Cooperatives are contributing towards gender equality by expanding women's opportunities to participate in local economies and societies in many parts of the world.*

In consumer cooperatives, most members are women, e.g. in Japan, women constitute 95 per cent of membership and have gained a place in the governance structure of their cooperatives.<sup>6</sup>

Women are also showing a strong presence in worker cooperatives. In the Spanish Confederation of Worker Cooperatives (COCETA), 49 per cent of members are women, with 39 per cent having directorial positions, compared with 6 per cent in non-worker owned enterprises.<sup>7</sup> In Italy, 95 per cent of members in the workers' cooperatives in the fashion industry are women.<sup>8</sup>

In East Africa, women's participation in cooperatives is rising. In the financial cooperative sector, data from Tanzania indicates that women's membership has more than quadrupled since 2005, bringing women's share to 43 per cent. In Uganda, women's participation in agricultural cooperatives is increasing faster than men's.

Women's presence on financial cooperative boards in East Africa ranges from 24 per cent (Kenya) to 65 per cent (Tanzania).<sup>9</sup> In the occupied Palestinian territory, despite a history of low women's participation in cooperatives, the Union of Cooperative Associations for Savings and Credit has a large majority of women as its members.

Women also form their own cooperatives. The agro-tourism women's cooperative To Kastri in Greece, and the Benkadi women's cooperative in Mali, formed in response to difficulties in getting good prices on their produce and access to capital. In India, women's cooperatives offer self-employment opportunities that can contribute to women's social inclusion and empowerment, and in the Arab states, they provide a platform to expand women's access to economic opportunities and public life. Women have also been empowered to take up leadership roles, set up their own management committees and organize welfare activities through cooperatives in both Tanzania and Sri Lanka.

Challenges do exist nonetheless: Women tend to be marginally represented in traditional cash/export crop-related cooperatives e.g. coffee, cocoa, cotton, tobacco, in which crop ownership is mostly male. Women are more numerous and rising in numbers in subsectors such as fruits, spices, cereals and dairy, where land ownership is less critical and capital requirements lower. In larger financial cooperatives women tend to be in minority, while in smaller saving and credit cooperatives with microfinance schemes, such as Bangladesh or Philippines, women are more likely to be in majority.

Occupational gender division of labour naturally reflects itself in cooperatives providing services to workers in these sectors. For instance women are likely to be in majority in service cooperatives for teachers, while majority of the members of cooperatives serving transport workers are men. Women's cooperatives in general tend to be smaller in capital, membership and volume of business and less well-connected to cooperative movements and their support structures. Gender inequalities in literacy levels, skills, land ownership, and access to credit and information are contributing factors limiting women's engagement in cooperatives.

## QUALITY EDUCATION AND LIFELONG LEARNING

Cooperatives support access to quality education and life-long learning opportunities by providing the means for financing education; supporting teachers and schools; establishing their own schools to provide quality education to both youth and adults; and serving as centres for lifelong learning.

Cooperatives play a significant role in facilitating access to education by increasing household incomes, which translates into the ability to meet educational costs. Cooperatives can also be a direct source of educational finance: In Kenya, for example, the main type of bank loan offered by most SACCOs is for paying school fees, and this trend has been documented similarly in other African countries such as Ghana, Nigeria, Cape Verde, and Uganda.

Where local governments have been unable to provide school infrastructure, cooperatives have often filled the gap to build and support local schools. In Ghana and Ethiopia, rebates from fair trade have been used by multi-purpose cooperatives to finance social projects, including construction of classrooms and improving infrastructure in primary schools. Support in other cases has included developing financial skills of youth and encouraging saving habits, scholarships to members' children to attend school and higher education, organizing educational competitions, funding equipment and stationery, and maintaining libraries.

Cooperatives are increasingly getting involved in direct provision of quality education by setting up their own schools, enabling students to access secondary education in remote areas of Tanzania, for example. In the UK, the Manchester-based Co-operative College has established democratically driven cooperative trust schools, with a strong commitment to social justice and moral purpose.

Lifelong learning is provided to members through skills training and knowledge development by many cooperatives, as well as literacy and numeracy for never-schooled members.

## HEALTH

*Cooperatives ensure healthy lives by creating the infrastructure for delivering healthcare services; financing healthcare and providing home-based healthcare services to people living with HIV/AIDS, among others.*

Healthcare cooperatives include workers' cooperatives that provide health services, patient or community cooperatives that are user-owned, and hybrid multi-stakeholder cooperatives. They can provide anything from homecare to full-scale hospital care. The International Health Cooperative Alliance estimates that there are more than 100 million households worldwide that are served by health cooperatives. Across Canada there are more than 100 healthcare cooperatives providing mainly home care to more than a million people spanning its eight provinces. SaludCoop in Colombia is a healthcare cooperative, and the second largest national employer, serving 25 per cent of the population. In Japan, more than 125 medical cooperatives serve nearly 3 million patients.<sup>10</sup>

### **Pharmacy cooperatives give members access to genuine and affordable medicines**

In Turkey at the end of the 1970s, drug suppliers depended on imports but wholesalers would only accept payments in foreign currency, leading to many pharmacies going out of business, rising prices, and counterfeit medicines. The Association of Pharmacists' Cooperatives created in 1989 has enabled small pharmacies to benefit from the collective purchasing power of cooperatives to supply genuine and affordable medicines. This network of 13,000 pharmacies all over Turkey provides jobs to 40,000 people and is known for its high quality services.

Source: ILO (2012), "Healing Pharmacies" (Available at: [http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_192935/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_192935/lang--en/index.htm), accessed on 23rd November, 2013).



In Sri Lanka, health cooperatives are often spin-offs to provide healthcare to members of consumer and agricultural cooperatives.<sup>11</sup> In the United States, health care cooperatives operate hospitals and clinics, such as the Group Health Cooperative of Puget Sound with 650,000 members, 30 medical facilities, and 9500 employees, including 1000 physicians.<sup>12</sup> In Nepal, cooperatives offer members primary health care services at a low annual family fee. Pharmacy cooperatives in Turkey give members access to genuine and affordable medicines.

Financing healthcare is an important role of cooperatives: In the US, healthcare cooperatives are among the most popular types of healthcare insurance, owned by the policyholders. Cooperatives that do business under the fair trade label in Africa, such as the Oromia Coffee Farmers Cooperative Union in Ethiopia, Kuapa Kokoo Ltd. in Ghana, and Heiveld Cooperative Society in South Africa, often use fair trade rebates to provide public health and healthcare services in remote areas. HIV/AIDS home-based care services are provided by cooperatives in Kenya, South Africa, Tanzania, Lesotho and Swaziland, as well as parts of Asia.

## FOOD SECURITY AND GOOD NUTRITION

Cooperatives contribute to food security by helping small farmers, fisher folk, livestock keepers, forest holders and other producers to solve numerous challenges that confront them in their endeavours to produce food. Farming and agriculture is where the cooperative business model is most widely utilised. Cooperatives together have an estimated 32 per cent of the global market share in the agricultural sector.<sup>13</sup>

Challenges faced by small agricultural producers include remoteness and lack of access to information about food prices on national and international markets; access to high-quality inputs and variable costs of buying seeds and fertilizer; access to loans to buy these inputs; and lack of transport and other infrastructure in rural areas.

Agricultural cooperatives help farmers overcome these obstacles by offering their members a variety of services such as group purchasing and marketing, input shops for collective purchases, and warehouse receipt systems for collective access to credit and market outlet. Cooperatives build small producers' skills, provide them with knowledge and information, and help them to innovate and adapt to changing markets. Importantly, they facilitate farmers' participation in decision-making processes and help small producers voice their concerns and interests, and increase their negotiating power to influence policy making processes. In the food supply chain, consumer cooperatives facilitate access to safe food.

Cooperatives have helped preserve indigenous food crops, such as indigenous potatoes in Argentina, increasing food security. Diversification of household food supply, for example by dairy cooperatives, has improved nutrition as well as incomes.

### ***Diversification of household food supply by dairy cooperatives can improve nutrition as well as incomes***

Members of the Societe des Eleveur de Vache Laitier de Fombot (COOVALAIF) in western Cameroon increased family consumption of fresh milk, supplied hundreds of litres of milk to the cooperative every day for marketing, and used cow dung to increase maize, bean and potato yields. Annual household income increased from USD430 in 2008 to USD3,000 in 2012, with extra income used to pay school fees for children, for family emergencies, and to diversify into poultry and goat farming. The share of households with year-round access to quality food increased from 14 to 76 per cent over the same period.

Source: Heifer International (2012), "Dairy Farmer Cooperative Contributes to Food Security in Cameroon" (Available at: <http://www.heifer.org/join-the-conversation/blog/2012/October/dairy-farmers-cooperative-contributes-to-food-security-in-cameroon.html>).

## ACCESS TO WATER AND SANITATION

Cooperatives are increasingly becoming major actors in facilitating access to clean water and sanitation services to make up for the failures of both the public and private sectors.

Cooperatives have provided alternative ways for urban communities to get clean water and safe sewerage services. SAGUAPAC in the Bolivian city of Santa Cruz, for example, is the largest urban water cooperative in the world, with 183,000 water connections serving 1.2 million people, three-quarters of the city's population, with one of the purest water quality measures in Latin America.<sup>14</sup> In the Philippines, water shortages due to El Niño, managerial problems and financial losses due to corruption and politicking led the Municipal Council of Binangonan city to allow cooperatives to provide water services. Water cooperatives set up water delivery systems in their neighborhoods.

Water cooperatives also provide remote locations that would otherwise have no service. In the panchayat of Olavanna in India, acute drinking water shortages in the 1990s led to the establishment of 70 drinking water cooperative societies by 2012, providing water to more than 14,000 households in the region.<sup>15</sup> In Africa, cooperatives in Ghana, Ethiopia and South Africa have used fair trade rebates to drill boreholes and establish local groups for maintenance. In the US, cooperatives are the most common organizational form of water provision in small suburban and rural communities, formed to provide safe, reliable, and sustainable water service at reasonable cost. There are about 3,300 water cooperatives in the US, providing water for drinking, fire protection, landscape irrigation, and wastewater services.<sup>16</sup>

Sanitation has also been addressed by cooperatives, as part of providing shelter and upgrading slums. In India, the National Cooperative Housing Federation (NCHF) has mobilised the urban poor in more than 92,000 housing cooperatives, with a membership of over 6.5 million people, constructing and financing 2.5 million housing units, 75 per cent for low income families.<sup>17</sup> In Ankara, Turkey, an alliance between the

municipality and the union of housing construction cooperatives has supplied housing for 200,000 low and middle income people, and kept down sales and rental prices in the Ankara housing market.<sup>18</sup> In Africa, too, the National Housing Cooperative Union (NACHU) in Kenya has been at the core of the Slum Up-grading Programme, organizing slum dwellers into cooperatives and helping them acquire decent houses.<sup>19</sup>

## SUSTAINABLE ENERGY

*Energy cooperatives are contributing to the achievement of the sustainable energy goals of energy access, energy efficiency, and reduced emissions.* Cooperatives are visible in facilitating access to sustainable energy, where they are playing a significant role in generating electricity and distributing it to consumers. They are also leading the way to the adoption of new and renewable energies like solar and wind power in many parts of the world.

Best known are the rural electrification cooperatives that have provided electricity to rural populations in many countries, both developing and developed. In the US, these consumer-owned utilities purchase electric power at wholesale prices and deliver it directly to the consumer. There are 864 distribution cooperatives delivering 10 per cent of the nation's total kilowatt-hours of electricity and serving 12 per cent of electricity consumers, 42 million people - mainly in rural areas where the return on expensive infrastructure investment was not high enough to attract investor-owned utilities. For this reason, cooperatives own and maintain 42 per cent of the nation's electric distribution lines, covering 75 per cent of the land mass. Sixty-six generation and transmission cooperatives were also formed to pool purchasing power for wholesale electricity.<sup>20</sup> In Bangladesh, with assistance by the US electricity cooperative movement, a Rural Electrification Board has set up more than 70 rural electric cooperatives, and installed more than 219,000 km of distribution lines connecting 47,650 villages and 30 million people to the grid, including 170,000 rural irrigation pumping stations.<sup>21</sup>

Generation of renewable energies has also been taken up by cooperatives. In the UK, a cooperative is selling charcoal and briquettes made from recycled materials, using an anaerobic digester to power the factory. More than 30 renewable energy cooperatives were registered in the UK between 2008 and 2012, including solar power cooperatives in London and Bristol. According to the German Cooperative and Raiffeisen Confederation (DGRV), 158 out of 250 new cooperatives formed in 2011 in the energy sector operate in renewable energy, and between 2006 and 2011, 430 new energy cooperatives were formed.<sup>22</sup> Cooperatives Europe has set up a working group on energy and environment to promote the role of cooperatives in renewable energy.

In developing countries, success stories include a biomass-based power cooperative in Karnataka, India. A major challenge facing energy cooperatives is the high capital outlay required, so public-private partnerships need to be explored.

## EMPLOYMENT CREATION, LIVELIHOODS AND EQUITABLE GROWTH

Cooperatives play a significant role in employment creation and income generation.

### **Cooperative enterprises impact on employment:**

- They employ people directly;
- Indirectly they promote employment and self-employment through creating marketing opportunities and improving marketing conditions; and
- They influence non-members whose professional activities are closely related to transactions with cooperatives (such as tradesmen or input suppliers).

Source: Develtere, P., I. Pollet & F. Wanyama (eds.) (2008), "Cooperating out of Poverty: The Renaissance of the African Cooperative Movement," Geneva: ILO.

### **Employment in cooperatives in select countries**

Country	Number of jobs
United States	2 million
France	1 million
Italy	1,1 million
Brazil	274,000
Argentina	290,000
Kenya	250,000
Indonesia	300,000
India	100,000 dairy cooperatives employ 12 million women
Colombia	Nearly 700,000 through direct employment and as worker-owners in workers cooperatives

Source: ICA (2014), "Co-operative Facts & Figures" (Available at: <http://ica.coop/en/whats-co-op/co-operative-facts-figures>).

Globally more than 100 million jobs exist in cooperatives, as cited by the ICA.<sup>24</sup> Together with small and medium-sized enterprises, cooperatives are the most significant sources of new employment.<sup>25</sup> While global data on cooperatives' contributions to creating employment needs improvement, available country evidence is quite compelling.

Recent evidence has found that employment in employee-owned enterprises is less likely to be negatively affected by cyclical downturns and that these enterprises had greater levels of employment continuity over the recent economic downturn.<sup>26</sup> A UK study found that employee-owned businesses were more likely to adopt longer-term horizons when investing in their business, invested more in human capital, and had a stronger focus on organic growth.<sup>27</sup>

A recent book on capital and the debt trap examined four case studies of large cooperatives that showed that enterprises organized and behaved according to cooperative principles - by which democratic control goes together with joint ownership - have weathered the brunt of the crisis, and have even increased employment.<sup>28</sup>

The study suggests some reasons for this success:

- In the short term, cooperatives are member-based so rather than shedding labour, they think of new activities (productivity, exports, restructuring).
- Members are aware of an imminent crisis and can prepare for it, due to democratic structures and information sharing in real time.
- Since decision-making is participatory and income gaps are small among members, cooperatives are more able to take hard decisions that are seen as legitimate.
- Safety and support funds guard against shocks, and common reserves that cannot be withdrawn, guaranteeing financial stability.
- In the long term, cooperatives build pension and education mechanisms for members and target community needs with a long-term vision.
- Restructuring and entering new activities are standard practice for cooperatives.

An increasing body of evidence suggests that employee-owned businesses also outperform non-worker-owned enterprises in normal times, with higher financial returns and greater productivity.<sup>29</sup> Research in the US has found a consistent positive relationship between employee-ownership and labour productivity. Past research across a number of countries within a range of different sectors suggests that employee-owned businesses provide higher financial returns, greater productivity levels, and higher levels of employment stability.<sup>30</sup>

Other contributions to livelihoods and equitable growth, documented for cooperatives, include income security, jobs for rural communities, strengthening farmers' position in the value chain, employment in diverse sectors of the economy, spillover effects on employment, provision of infrastructure and other services, and social inclusion. Evidence from around the world shows the contributions cooperatives have made in promoting decent work and providing income security, especially among those previously excluded. Research on the dairy industry in India indicates that cooperative members enjoy higher and more secure incomes than non-members within the industry, particularly at the primary level of production. Similarly, recent research in Ethiopia's

agricultural sector demonstrates how agricultural producers organized in cooperatives see better incomes, more savings and reduced input costs, relative to those who are not.<sup>31</sup>

An important consideration is how the employment creation impact of cooperatives can be scaled up to generate new employment opportunities in those areas where public and private sector initiatives are weak or absent.

## SUSTAINABLE NATURAL RESOURCE MANAGEMENT

*Cooperatives contribute to the sustainable management of natural resources in a variety of ways: They ensure that natural resources are not depleted. Cooperatives have provided fora for local people to find solutions to environmental change by defining their property and user rights, managing natural resources, and diversifying their economic activities to embrace green economic ventures.*

In Indonesia, for example, forestry cooperatives promote sustainable use of tropical hardwood and have received Forest Stewardship Council (FSC) certification for the international furniture market, overcoming monopoly of wood buyers and earning a sustainable living.<sup>32</sup>

Many cooperatives encourage more responsible patterns of consumption and social and economic accountability values as normative practices in their model of doing business.<sup>33</sup> Sustainable agricultural cooperatives diversify their activities to include water management, tourism, production of quality regional foods and organic farming. They respond to the crisis of high-tech agriculture and environmental regulation in the Netherlands. In Italy, "social cooperatives" provide maintenance of public green spaces, urban waste collection, urban sanitation, installation of solar panels, and waste prevention and reuse.<sup>34</sup>

In developing countries, thousands of waste-pickers work in poor conditions and contribute significantly to cleaning up the environment but lose profit to middlemen who sell recyclables to industry. Waste-pickers have established cooperatives in Colombia,

Brazil, Argentina, Mexico, the Philippines, India and Indonesia, among other countries, to increase incomes and dignify their activities.<sup>35</sup>

### ***Environmental agricultural cooperatives in the Netherlands***

The Netherlands has more than 125 environmental agricultural cooperatives. They allow Dutch conservation agencies to develop environmental management contracts with groups of land managers, so that landscapes can be worked whole instead of piecemeal. In the Frysian Woodlands in the early 1990s for example, farmers were concerned that small-scale farming could not remain viable with pressure for dairy farming with low production costs and reducing farm sizes. They faced increasing environmental rules and regulations on soil pollution. Environmental cooperatives became a means for farmers to self-regulate and develop locally effective means to realize environmental objectives in their farming.

Source: Renting, H. and J. D. Van der Ploeg (2001), "Reconnecting nature, farming and Society: environmental cooperatives in the Netherlands as institutional arrangements for creating coherence." *Journal of Environmental Policy and Planning* 3: p. 85-101.

## **GOOD GOVERNANCE**

Responsible and effective governance has been identified in the post-2015 process as an enabler for socio-economic transformation and the eradication of structural inequality, as well as an end in itself. The new development agenda provides the opportunity for societies to shift to a more just world, where resources are shared more equitably and people have a greater say in the decisions that affect their lives.<sup>36</sup> Cooperatives have an important role to play in this process.

First, one of the principles of cooperatives is democratic member control. The equal voting rights of cooperative enterprises, on the basis of one member, one vote, impart the necessary and legitimate representativeness to make them key actors in the social dialogue process especially in rural and informal economy settings. Good governance characteristics such as transparency, responsibility,

accountability, participation, responsiveness to the people's needs, and respect for the rule of law, are also features of the cooperative identity. Deeply rooted in the community they operate, cooperatives can empower people by enabling even the poorest segments of the population to participate in economic progress. Furthermore, by creating a platform for local development initiatives, they bring together a range of community institutions to foster opportunities for decent work and social inclusion.<sup>37</sup> Cooperatives can be schools for practicing democracy first hand through participation and control.<sup>38</sup>

Second, cooperatives and cooperative members, in their dual role as stakeholders and owners or controllers, can provide an important voice in the global debate on governance and transparency. Strong and legitimate governance institutions, including social enterprises like cooperatives, are needed to ensure that the benefits of development are equally shared and sustainable over time. In Britain, for example, the retail cooperative movement has been concerned with social as well as economic aims since its origins. In more recent times, it has been an early supporter of the Fair Trade movement and of ethical banking. Some of the first adopters of the new Fair Tax Mark, to be awarded to companies that meet their corporate tax obligations fully and transparently, have included cooperatives and social enterprises.<sup>39</sup>

### ***Blueprint for a Cooperative Decade: Governance is key***

Collectively members own their co-operative, and through democratic arrangements they participate in its governance. Individually they have a right to information, a voice, and representation ... There is good evidence to suggest that providing consumers and workers with a voice inside organisations produces better, more intelligent and responsive forms of business.

Source: ICA (2013), "Blueprint for a Co-operative Decade," (Available at <http://ica.coop/en/media/library/member-publication/blueprint-co-operative-decade-february-2013>).

This does not mean that cooperatives automatically have good governance. Implementing the democratic decision-making model has sometimes been a challenge for cooperatives, with issues such as poorly defined property rights and membership apathy. Governance challenges are being countered by innovative responses, such as formulating codes of conduct for management boards in cooperatives.

Case studies by the ILO's COOP<sup>AFRICA</sup> technical cooperation programme confirmed that the institutional set-up of the cooperative model with its general assemblies, elected boards of directors, management committees and different controlling agencies is well-suited to make collective decision-making low in conflict and to a certain extent more predictable. Nonetheless, this often implies member education, deliberations and internal debate, as shown in the COOP<sup>AFRICA</sup> case study on fast-growing Rooibos cooperatives in South Africa.<sup>40</sup> The ILO's Recommendation 193 provides an international standard that has helped with re-vamping new cooperative laws and policies in ninety-seven countries around the world.<sup>41</sup>

## PROMOTION OF STABLE AND PEACEFUL SOCIETIES

In the aftermath of violent social conflict, cooperatives have often emerged as sources of positive social capital, fostering a strong sense of community, participation, empowerment and inclusion among members and restoring interpersonal relationships and peace. In post-genocide Rwanda, in addition to dealing with structural causes of grievances, cooperatives provided emotional support for members seeking justice.<sup>42</sup>

Cooperatives have been known to emerge as a collective response to crisis, like the economic hardship times around the 1840s in the UK, agricultural depression in 1860s in Germany, the great depression of 1929-1930 in the US or the unemployment crisis of Europe in the 1970s. This does not, however, mean that cooperatives only succeed in times of crisis.

In times of crisis, when there is an urgency to establish more solid economic and financial systems, cooperative enterprises tend to re-emerge as relevant solutions that are durable, and timely.

In crisis, cooperatives can have transformative potential in revitalizing struggling sectors, recovery of crisis-stricken local economies, increasing returns to producers and service providers across value chains, formalizing informal employment, and generating employment for women and youth in rural and urban areas. There are also new forms of cooperatives being formed to respond to different crises, for instance social care cooperatives that are being formed in responding to the care needs of ageing populations, or care cooperatives formed to take care of orphans after earthquakes.<sup>43</sup>

Women's cooperatives have been especially active as brokers of peace and development:

- Women's cooperatives in Nepal, emerging from a ten-year Maoist insurgency in 2006, helped women to survive, manage their livelihood options and look after their families through the provision of credit, counselling and skills development. In the post-conflict period, women's cooperatives raised consciousness and political participation and emerged as voices of justice and peace.<sup>44</sup>
- Communal violence in Gujarat, India has resulted in massive loss of life, destruction of property, loss of livelihoods and particularly grievous perpetration of sexual violence against women. During the 2002 communal riots, the Self-Employed Women's Association (SEWA) Federation ran relief camps for riot victims and provided women in the camps with employment, access to basic health care, childcare and counselling.<sup>45</sup>
- Cooperatives have contributed to rebuilding societies after conflict, exemplified by a women's cooperative in a Southern Lebanese village that revived local and traditional products that faced extinction after heavy shelling in 2006, and helped rebuild the memory of the village.<sup>46</sup>

## COOPERATIVES AND GLOBAL ENABLING ENVIRONMENT AND LONG-TERM FINANCE

Cooperatives contribute to the creation of a global enabling environment by closing the trade gap between the developed and developing world; by stabilizing financial systems during crises; and by providing the base for financial deepening around the world.

Cooperatives have played a role in creating a global enabling environment by bridging the trade barriers between developed and developing countries through fair trade and other forms of alternative trade that alter the imbalanced trade relationship. Linking cooperatives in the south to markets in the north also enables rebates for ethical production and marketing of products being used to support social development projects in local communities in the south. There is a wide and growing range of fair trade products exported by cooperatives, including coffee, tea, handicrafts, cocoa, sugar, bananas, honey, wine and flowers.

Cooperatives contributed to the stabilization of the global financial system, which foundered in 2007 on the growing use of debt and leverage. They survived and fared relatively well in this instability largely because of their ability to control their debt. Cooperative members own and control the capital of the cooperative. Their customer-owned business model makes them resilient in a downturn. Diverse studies show that cooperative principles of democratic control and joint ownership have enabled cooperatives to weather the crisis and grow.<sup>47</sup>

*Financial cooperatives can provide some of the best means for financial deepening, and the financial basis for other kinds of development activities in many parts of the world.* In many cases, they are the only formal financial organizations available, particularly in remote rural areas, where members can save and borrow money to develop their own businesses. Cooperatives also provide micro-insurance in different forms contributing to financial stability.

### **Cooperatives are Major Exporters**

- In Nicaragua, Promotora de Desarrollo Cooperativo de Las Segovias (PRODECOOP) includes 45 cooperatives with more than 2,420 families, each farming 7 to 12 acres of coffee grown organically under the shade of the forest canopy. As an export cooperative, it is part of a larger worldwide fair trade network and assists its members farmers in sustainably producing and marketing their coffee.
- In West Africa, Kuapa Kokoo in Ghana is a sophisticated multipurpose cooperative with 50,000 farmer members spread across 1650 village societies, supplying 10 per cent of Ghana's cocoa production. The cooperative began by producing high quality cocoa of internationally acceptable market standards, and later set up a chocolate company in the UK using their cocoa beans.

Sources: Global Exchange (2011), "Fair Trade Coffee Cooperatives" (Available at: <http://www.globalexchange.org/fairtrade/coffee/cooperatives/>); Kuapa Kokoo website (Available at: <http://www.kuapakokoo.com/>).

## PART THREE

### THE WAY FORWARD TO THE SUSTAINABLE DEVELOPMENT GOALS: COOPERATIVES HAVE A KEY ROLE TO PLAY

Cooperatives are already present in all the areas that the proposed Sustainable Development Goals envisage the direction the world will take to make sustainable development a reality. Although cooperatives are central to the realization of sustainable development around the world, with their focus on members and local needs, they have not always been proactive in national and international debates. With little visibility at national and international levels, the potential and importance of the contribution that cooperatives can make to the design and realization of SDGs seems to have been missed by policy makers at respective levels. This explains the relatively limited visibility and attention that cooperatives have received in the debate on the post-2015 development agenda.

This debate should not just build on cooperative experiences, but should also accommodate the voices of the cooperative movement. This is particularly important because, as was the case in the implementation of the MDGs, the realization of the proposed SDGs will most likely require the active participation of cooperatives and such participation needs to be elicited at the point of formulating the goals.

There is a widely held consensus among many actors, including United Nations agencies like the International Labour Organization, and the International Co-operative Alliance, that the cooperative enterprise is the type of organization that best meets all dimensions of reducing poverty and exclusion. This is because the way cooperatives help to reduce poverty is important - they identify economic opportunities for their members; empower the disadvantaged to defend their interests; provide security to the poor by allowing them to convert individual risks into collective risks; and mediate member access to assets that they utilize to earn a living.

Cooperatives are contributing towards gender equality, not just by increasing female membership, but by expanding opportunities for women in local economies and societies in many parts of the world. They support access to quality education and life-long learning opportunities by providing the means for financing education; supporting schools; establishing their own schools to provide quality education to both the youth and adults; and by serving as centres for lifelong learning. Cooperatives ensure healthy lives by creating the infrastructure for delivering healthcare services; financing healthcare and providing home-based healthcare services to people living with HIV/AIDS, among others.

Cooperatives contribute to food security by helping small farmers, fisher folk, livestock keepers, forest holders and other producers to solve numerous challenges that confront them in their endeavours to produce food. They are increasingly becoming major actors in facilitating access to clean water and sanitation services to make up for the failures of both the public and private sectors. Energy cooperatives are contributing to the achievement of the sustainable energy goals of energy access, energy efficiency, and reduced emissions.

*Cooperatives play a significant role in employment creation and income generation, with more than 100 million jobs worldwide.* Recent evidence has found that cooperatives are more resilient and perform better during financial and economic crises.

Whereas environmental cooperatives are spearheading the sustainable management of natural resources for posterity, the cooperative governance model can provide the framework for equitable participatory processes that guarantee transparency and accountability, in cooperation with communities, governments, businesses and other stakeholders to realize sustainable development.



In the aftermath of violent conflict in many places around the world, cooperatives have often emerged as sources of 'positive social capital', fostering a strong sense of community, participation, empowerment and inclusion among its members and restoring interpersonal relationships and peace. Women's cooperatives have been especially active as brokers of peace and development.

Finally, cooperatives also contribute to the creation of a global enabling environment for sustainable development by closing the trade gap between the developed and developing world; stabilizing financial systems during crises; and providing the base for financial deepening around the world.

## RECOMMENDATIONS

For all these reasons, cooperatives can be seen as an inherently sustainable business model, contributing to the "triple bottom line" of social, economic and environmental sustainability. To this end, the recommendations are:

***The United Nations should recognize*** the role of cooperatives in the realization of sustainable development by including cooperatives in the indicators, targets and funding mechanisms for the Sustainable Development Goals.

***Cooperatives should be proactive*** by getting involved in discussions at all levels (local, national, regional and international) on the post-2015 development agenda in order to secure the opportunity to share their experiences on the realization of sustainable development.

***National, regional and international cooperative organizations*** should enhance their representation and advocacy roles, to improve the presence and voice of cooperatives in the post-2015 development agenda and the wider international policy debates.

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# CONTRIBUTION OF COOPERATIVES TO SUSTAINABLE DEVELOPMENT: A JOINT ILO AND ICA INITIATIVE

*Sustainability is recognized as one of the five pillars of the International Co-operative Alliance's (ICA) Blueprint for a Cooperative Decade, which aims to position cooperatives as builders of economic, social and environmental sustainability by 2020. The United Nations Conference on Sustainable Development (Rio+20) highlighted decent work as a central goal and driver for sustainable development and a more environmentally sustainable economy.*

*In order to bring cooperative voices into the discussion around the post-2015 development agenda, the International Labour Organization (ILO) and ICA has launched an initiative on the contribution of cooperatives to sustainable development. This brief summarizes the main findings of a forthcoming report of the same title, by Frederick O. Wanyama of Maseno University in Kenya.*



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