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**Social development, including questions relating
to the world social situation and to youth, ageing,
disabled persons and the family**

Cooperatives in social development

Report of the Secretary-General

Summary

The present report responds to General Assembly resolution 58/131 of 22 December 2003, by which the Secretary-General was requested to submit a report focusing on the role of cooperatives in the eradication of poverty. Chapter I of the report provides an introduction that underscores the recognition, both within and outside the United Nations system, of the contribution cooperatives can make to promoting poverty eradication and enhancing social integration. Chapter II discusses how cooperatives contribute to the promotion of income and employment and the enhancement of social integration and cohesion. Chapter II 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. Chapter III examines key challenges facing cooperatives and presents recommendations for consideration by the Assembly.

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I. Introduction

1. The present report is submitted in response to General Assembly resolution 58/131 of 22 December 2003, entitled “Cooperatives in social development”, by which the Secretary-General was requested to report to the Assembly at its sixtieth session, focusing on the role of cooperatives in the eradication of poverty. The theme for the present report is particularly relevant, given that the Assembly will conduct a review of the implementation of the United Nations Millennium Declaration during its sixtieth session and the priority given to achieving the Millennium Development Goal of halving the number of people living in extreme poverty by 2015. Moreover, by focusing on the role of cooperatives in poverty reduction, the 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 paid greater attention both within and outside the United Nations system 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 eradication along with the generation of full and productive employment and enhanced social integration.¹

3. In 1996, the General Assembly adopted resolution 51/58 of 12 December 1996, recognizing the potential of cooperatives and urging that due consideration be given to the role and contribution of cooperatives in achieving social and economic development goals, in particular the World Summit for Social Development goals of poverty eradication, employment creation and enhancement of social integration. Subsequently, in 2002, the Assembly drew the attention of Member States to the draft guidelines aimed at creating a supportive environment for the development of cooperatives, which recognize “the cooperative movement as a distinct and major stakeholder in both national and international affairs” (A/56/73-E/2001/68, annex).

4. In 2002, the International Labour 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 in that recommendation 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 International Labour Organization (ILO) and the International Cooperative Alliance launched a global campaign, “Cooperating out of Poverty”, which promotes the cooperative model of business enterprise as a means by which people can help themselves. The campaign suggests new niches within the development framework, such as the Fair Trade concept and the poverty reduction strategy paper (PRSP) process, where the cooperative model of business can be promoted.

5. The European Union has expressed its support for the cooperative movement by developing and adopting in 2003 the Statute for a European Cooperative Society.

6. Although cooperatives have made important contributions towards alleviating poverty in both developed and developing countries, the present report focuses on their role in reducing poverty in developing countries, where the majority of poor people live. The 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 organizations have provided useful information related to their work in promoting and strengthening cooperatives for poverty reduction.

II. Cooperatives and poverty reduction

7. Cooperatives contribute directly to the eradication of poverty 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 their purpose and the 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 businesses such as cooperatives have built-in advantages.²

8. Over a period of about 150 years, cooperatives have spread over 100 countries and into various sectors and activities encompassing agriculture, fishing, housing, banking, insurance, water, electricity and health care. 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 that 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.³ 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 emphasize social responsibility and community development.

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 that enable them to participate in production, 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 added value of cooperatives arises from efficiencies gained in obtaining inputs and services, in utilizing resources and in marketing products or services, which would otherwise be difficult to obtain for individuals acting alone, especially when they are poor.

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

Voluntary and open membership

Democratic member control

Member economic participation

Autonomy and independence

Education, training and information

Cooperation among cooperatives

Concern for the community

Source: *Making a Difference: Cooperative Solutions to Global Poverty*, edited by Andrew Bibby and Linda Shaw, the Cooperative College, 2005.

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, mechanisms for the sale of their produce and other essential services such as marketing, credit, insurance and transportation. Through mutual insurance and farm credit, members of cooperatives are better able to 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 organizing themselves into cooperatives, the rural poor are able to mobilize 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.⁴ One success story of such collective action is the dairy village cooperatives in India, which are organized into state-level marketing federations. Control over marketing is considered the critical feature of the success of these cooperatives in contrast to other dairy cooperatives that simply supply to private companies, which then brand and market the milk. The Indian 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.⁵ The success of the dairy cooperatives in India was replicated by the Milk Vita cooperative in Bangladesh, where about 300,000 households achieved a tenfold increase in earnings.⁶

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 the Fair Trade mechanism, 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 Timor-Leste, where the largest coffee exporter processes about one third of the country’s coffee production and specializes in high-value organic and Fair Trade coffee, which is 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 accounts 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.⁷ To enable the very poor, who lack the resources to become individual credit union members, credit union associations, such as the World Council of Credit Unions, 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, the International Remittance Network (IRnet), many migrants without bank accounts are able to remit funds to their home countries at a low cost and also eventually become credit union members.⁸ By creating competition in the market for remittances, IRnet has helped to drive down the remittance fees charged 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 microinsurance to the poor against disease, 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.⁹

18. The growth of microcredit and microfinance services offered by cooperatives has had significant success in empowering poor people, especially women, to fully realize 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, access by rural women to financial services helps to give them a 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 organizations 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 the 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.¹⁰ In most Central and Eastern European countries, cooperatives have a 20 to 30 per cent share of the market and are particularly strong in rural areas, despite business failures and intense competition.¹¹

21. The cooperative principle of concern for community well-being is evident in the number of cooperatives providing basic services, including housing, health, education, water and electricity. The involvement of cooperatives as providers in these sectors highlights their tangible contribution to several Millennium Development Goals, 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 an urgent need to expand and scale up proven measures to improve slum conditions and revitalize 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.¹² In Guatemala, the project aims to support new housing cooperatives for 125 families who are employed in the informal economy and live in shanty towns and slums. In Nicaragua, the project targets 650 low-income families working in small enterprises and agriculture.

24. Health-care cooperatives can be found in more than 50 countries and provide health services — medical treatment, rehabilitation and health education — to an

estimated 100 million households in the world.¹³ Brazil's Unimed, a cooperative health-care provider, has one third of the country's medical practitioners as members. In the Philippines, the ORT Health Plus Scheme provides a wide range of maternity care 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, workers 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 the Kenya Union of Savings and Credit Cooperatives and the Kenya Rural Savings and Credit Societies Union help those suffering from HIV/AIDS by providing emergency loans for medical expenses and hospital fees.¹⁴

26. Although the proportion of the 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. The success of a water cooperative in Bolivia provides one useful model for the provision of safe drinking water to poor people. The Cooperativa de Servicios Públicos "Santa Cruz" (Saguapac) is a water cooperative with 100,000 members based in a remote city of a million people.¹⁵ This consumer cooperative offers low water charges that 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, its high level of staff productivity and its universal metering.

27. Similarly, the cooperative model has been used for the provision of electricity. In Bangladesh, over 79 rural electric cooperatives serve some 4 million customers and reach over 25 million people. With the help of donor organizations, the network continues to expand and is becoming financially self-sustainable.¹⁶ The bill collection rate is over 98 per cent and losses amount to only 16 per cent.

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

29. By providing basic services and utilities, cooperatives also provide other development benefits or externalities to poor rural populations, in particular in the areas of health and education. For example, electrification helps to develop rural industries, improve food processing and preservation capability, enables schoolchildren to read after sunset and improves information flow through the use of the 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 source of income; 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.¹⁷ 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.¹⁸ Since the informal sector is not officially recognized, recorded, protected or regulated, its workers are exposed to exploitation and do not become entitled to social protection programmes available in the formal economy.

32. Cooperatives in the informal sector have proved successful among workers such as taxi drivers and small retailers. In Uganda, a successful cooperative was established by shoe-shiners in Kampala. What started as a cooperative organization with five members grew to a full-fledged 600-member cooperative called Shoe-Shiners Industrial Cooperative Society. Members of the cooperative receive benefits such as access to savings and loans and cooperative training programmes. This cooperative also has business dealings with an international 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 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. 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.¹⁹

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 and 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.

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 the 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 sharing information. In addition to capacity-building efforts in their communities, cooperatives also enhance human

capital investment through the training and services they offer. For example, credit unions in Bolivia, Ecuador and the Philippines provide education and access to health care and nutritional information to families in their localities. Symposiums, workshops and meetings organized by cooperative groups provide a forum for discussion of key issues and lead to better and more socially responsible decisions.

38. The values that guide cooperative organizations can assist the transmission of social values and promote useful role models. In principle, the cooperative values of honesty, openness, social responsibility and caring for others encourage mutual understanding among 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, honesty and respect for the rights of other members. As these experiences are carried by members into other spheres of activity, the larger community benefits. Cooperatives have been helpful in bringing together hostile segments of communities 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 organizations defend and protect the economic and legal interests of cooperatives through representation to government bodies. For example, farmer cooperatives have advocated for farmers' rights and welfare, including agrarian reform and fair marketing practices, before local and national governments. Thus, the marginalized poor and unemployed, especially those exploited and discriminated against owing to gender, age, disability or other sociocultural characteristics, benefit from membership 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 necessary inherent flexibility for spatial or geographic reach. Cooperatives are formed where people, including those in remote areas, are willing to organize 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 enterprise, many cooperatives are able to operate effectively in economically marginalized remote locations. Since most of the poor are in rural and remote areas, cooperatives have the advantage of being organized 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 ceased to operate in areas of conflict, credit unions have been able to survive and provide essential financial services. In post-conflict Afghanistan, pilot credit unions are providing grass-roots reconstruction and financial assistance for agricultural production.²⁰ Cooperatives have also been active in the relief, reconstruction and rebuilding efforts in the aftermath of the tsunami disaster in December 2004.

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 marginalized groups. Women find that membership in cooperative enterprises enables 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, childcare, community development and consumer cooperatives creates a social safety network that reduces household burdens and allows women to engage in more gainful economic activities. The Self Employed Women's Association in India, for example, serves some 500,000 women through various cooperatives providing services such as doorstep banking, rural production and health and childcare.²¹

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 that aim to develop the talents and utilize the time of young persons. In Serbia and Montenegro, for example, youth cooperatives provide young men with help in finding short-term employment. Italy has a programme for youth that provides education on the cooperative method.

43. Cooperatives are also especially useful in organizing 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 Federation of Migros Cooperatives 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.²²

44. Worker-owned cooperatives provide opportunities for reintegration within society 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 Production Cooperatives represents 302 entities, of which 50 are cooperatives of persons with disabilities employing 7,000 persons with disabilities. The Food and Agriculture Organization of the United Nations is running a project to help persons with disabilities in Sierra Leone (see box 2). Service cooperatives are also strong advocates in addressing the concerns and interests of persons with disabilities, such as occupational safety, quality control of consumer commodities and measures to promote healthy living.

Box 2

Persons with disabilities in rural cooperative enterprises

Cooperatives have helped persons with disabilities to rebuild their lives and reintegrate into their society in countries that have experienced conflict. In Sierra Leone, 10 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 demonstrating that the disabled can make important contributions to the welfare of 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 area for training not only because it is an activity that can be readily taken on by persons with disabilities, but also because of its importance in Sierra Leonean society. As grass-roots 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 into 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 per cent of the total population, trainees have started to train fellow disabled community members with disabilities in blacksmithing and other activities. To assist them and facilitate the replication of the programme in additional areas, FAO has produced a training manual on agro-based income-generating activities for rural persons with disabilities.

45. Cooperatives can economically empower indigenous peoples, while helping them to preserve their distinct sociocultural heritage. Cooperatives controlled by indigenous peoples typically utilize 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 other things, the preservation and promotion of indigenous culture and the conservation and protection of natural resources and the environment.²³

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

C. Survey of Member States and apex cooperative organizations

47. A questionnaire was sent to all Member States seeking their views on the contribution of cooperatives to poverty eradication. 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 (see annexes I and II, respectively). The results of the surveys are summarized in tables 1 and 2 below.

48. A majority of the Member States that participated in the survey reported that their policies for socio-economic development included a role for cooperatives and that cooperatives were promoted as part of an agricultural development strategy. Most Member States also reported that they believed that cooperatives could contribute to poverty reduction. This result is consistent with the responses received from most apex cooperative organizations on this question. In general, apex cooperative organizations believed that the Government in their countries recognized the role cooperatives could play in socio-economic development and agricultural development. In addition, a majority of apex cooperative organizations reported that their affiliated cooperatives helped 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 into their national poverty reduction programmes, such as the 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 the responding apex cooperative organizations believed that Governments incorporated cooperative concerns and perspectives into 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 organizations on how Governments involved cooperatives in the PRSP process indicated that they believed affiliated cooperatives were 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 were not consulted in the drafting of poverty reduction strategies or PRSPs. This suggests that there is room for Governments to improve the participation of cooperatives in the design, implementation and monitoring of national poverty reduction strategies and programmes.

51. Nearly all Member States reported that there was an agency that dealt with the cooperative sector and implemented programmes on cooperative issues, that the Government had adopted cooperative development policies and that there were

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 reported having approved and enacted new laws and cooperative codes and having amended and developed old ones to provide a conducive environment for cooperatives that reflected global socio-economic changes. Most apex cooperative organizations, however, perceived that their Governments did 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 issue of gender equality, the apex cooperative responses overwhelmingly reported that their affiliated cooperatives promoted gender equality and had no restrictions on women's participation and that women participated in the management of the cooperatives. In order to promote gender equality, apex cooperative organizations reported having 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 organization.

Table 1
Summary responses to survey of Member States

	<i>Yes (per cent)</i>	<i>No (per cent)</i>	<i>Number of responses</i>
Promotion of cooperatives			
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
Role of cooperatives in poverty reduction			
Cooperatives contribute to poverty reduction	89	11	35
Cooperative concerns and perspectives are incorporated into the country's poverty reduction programmes, such as the PRSP	67	33	33
Cooperatives are involved in the design, implementation or monitoring of the PRSP	62	38	24
Supportive environment for cooperative development			
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 partnership 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>Number of responses</i>
Promotion of cooperatives			
Cooperative organizations that believe their Government includes the role of cooperatives in policies for socio-economic development	83	17	36
Cooperative organizations that believe their Government promotes cooperatives as part of its agricultural development strategy	86	14	36
Role of cooperatives in poverty reduction			
Cooperative organizations whose affiliated cooperatives help to reduce poverty among their members	92	8	37
Cooperative organizations that believe their Government incorporates cooperatives' concerns and perspectives in the country's poverty reduction programmes, such as the 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
Supportive environment for cooperative development			
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 that provide education and/or training to the members of affiliated cooperatives	91	9	35
Cooperatives and gender equality			
Apex organizations that promote gender equality among affiliated cooperative society members	82	18	34
Cooperative organizations that 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 cooperative	97	3	34
Education and training			
Cooperative organizations whose affiliated cooperatives provide indirect benefits to non-members 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 realize the potential of the cooperative enterprise in empowering poor people to lift themselves out of poverty.

III. Challenges and recommendations

54. A special challenge for cooperatives is actively to restructure and revitalize themselves to achieve their full potential in enabling the poor to lift themselves out of poverty. While cooperatives have traditionally focused on the 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 globalization, 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 themselves 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 rolled cigarettes (bidis) to food after the decline in demand for bidis. The 40,000 employees, 80 per cent of them women, were retrained to produce processed food instead of rolling cigarettes. In addition, the cooperative has also diversified into integrated circuit technology with the launch of a research and software development centre.

57. Another challenge facing cooperatives is to avoid political or external influence, which makes 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 for cooperatives to 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 marginalized 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 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 organizations to be effective participants. Responses from cooperative apex organizations to the questionnaire suggest that cooperatives are more involved in the implementation and less in the design and monitoring aspects of PRSPs.

61. Given their grass-roots reach, cooperatives can help to 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 involve cooperatives fully, 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 formally to 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, 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 discover examples of successful experiences and important lessons learned. Related to this is the need to improve statistics on cooperatives and what impact they have on national economies, as suggested by the quality of responses to the questionnaires on this subject.

63. Governments, in consultation and 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 utilize cooperatives as competitive suppliers of goods and services along with other businesses in order to promote the role of cooperatives as effective partners in poverty reduction. In countries where they do not yet exist, a joint consultative council or advisory body also needs to be organized to improve dialogue and partnerships between cooperatives, Governments and other social institutions.

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

(a) **To 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 also to 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) **To review, amend or enact legislation, 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, to broaden and deepen the outreach of cooperatives among the poor, in particular those in the rural or agricultural**

sector, and to promote the participation of women and vulnerable groups in cooperatives across all sectors;

(c) To 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 the necessary technical assistance from donors;

(d) To 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 the 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.

Notes

¹ See *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), part I, commitment 9, subpara. (h).

² Johnston Birchall. *Cooperatives and the Millennium Development Goals* (Geneva, International Labour Organization, 2004).

³ Andrew Bibby and Linda Shaw (eds.), *Making a Difference: Cooperative Solutions to Global Poverty* (Manchester, Cooperative College, 2005).

⁴ Ibid.

⁵ Verghese, Kurien. "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.

⁶ "Can Cooperatives save the world?", *Developments: the International Development Magazine*, Department of International Development, United Kingdom of Great Britain and Northern Ireland.

⁷ *The Credit Union Difference*, vol. 7, No. 1 (World Council of Credit Unions, April 2005).

⁸ Ibid.

⁹ Bibby and Shaw, op. cit.

¹⁰ Johnston Birchall, *Poverty Reduction through Self-help: Rediscovering the cooperative Advantage* (Geneva, International Labour Organization, 2003).

¹¹ Ibid.

¹² Bibby and Shaw, op. cit.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Birchall, *Poverty Reduction ...*

¹⁶ Bibby and Shaw, op. cit.

¹⁷ *Decent Work and the Informal Economy* (Geneva, International Labour Organization, 2002).

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ *The Credit Union Difference*, vol. 7, No. 1 (World Council of Credit Unions, April 2005).

²¹ Bibby and Shaw, op. cit.

²² Birchall, *Poverty Reduction ...*

²³ Birchall, *Cooperatives ...*

Annex I**List of responding Member States**

Bahrain	Mexico
Bosnia and Herzegovina	Mongolia
Chile	Myanmar
Colombia	Panama
Cyprus	Philippines
Dominican Republic	Portugal
Ethiopia	Republic of Korea
Fiji	Senegal
Georgia	Serbia and Montenegro
Indonesia	Singapore
Iran (Islamic Republic of)	Slovakia
Jordan	Sri Lanka
Kuwait	Syrian Arab Republic
Lebanon	Thailand
Lithuania	Trinidad and Tobago
Malaysia	Turkey
Maldives	United Republic of Tanzania
	Zambia

Annex II

List of responding apex cooperative organizations

All China Federation of Supply and Marketing Cooperatives
 Asociación Colombiana de Cooperativas
 Association of Asian Confederation of Credit Unions
 Belgian Boerenbond
 Botswana Cooperative Association
 Central Union of Consumer Societies of the Russian Federation (Centrosojuz)
 Confederación de Cooperativas Agrarias de España
 Confederación de Cooperativas de Colombia
 Confederación Paraguaya de Cooperativas
 Confederazione Cooperative Italiane (Confcooperative)
 Conseil Canadien de la Cooperation
 Cooperativas Agrarias Federadas
 Cooperative Association of the Czech Republic
 Cooperative Bank of Kenya
 Cooperative Central Bank (Cyprus)
 Cooperative League of Thailand
 Cooperative Union of Serbia
 Cooperative Union of Slovenia
 Cyprus Turkish Cooperative Central Bank
 Federation of Free Farmers Cooperatives
 Groupement National de la Coopération
 Institute for Indonesian Cooperative Development Studies
 Department of International Cooperation (Republic of Korea)
 Japanese Workers Cooperative Union
 Kooperative Förbundet
 Liga de Cooperativas de Puerto Rico
 Lithuanian Union of Consumer Societies
 National Association of Cooperative Savings and Credit Unions
 National Cooperative Federation of Nepal
 National Cooperative Union of India
 National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai)
 National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren)

National Union of Italian Cooperatives

Pellervo (Confederation of Finnish Cooperatives)

Riksbyggen Ekonomisk Forening

Sri Lanka Consumer Cooperative Societies Federation

Union Régionale des Coopératives d'Epargne et de Crédit du Bam

Viet Nam Cooperative Alliance
