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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 and implementation of the International Year of Cooperatives**

### **Report of the Secretary-General**

#### *Summary*

The present report highlights the contribution of cooperatives to socio-economic development, as the pooling of resources and efforts improves individual and household incomes by strengthening the participation of small and medium-sized enterprises in the market. It outlines the contribution of cooperatives to food security, inclusive finance and social protection, and the strengthening of societies through peacebuilding and disaster recovery. It also examines how the cooperative movement can be harnessed for development, in the context of coordination and collaboration with Governments and other stakeholders. It focuses attention on the importance of effective, member-driven internal governance structures and capacity-building, balanced with a supportive and respectful regulatory framework. It also presents activities planned for the observance of the 2012 International Year of Cooperatives, noting the support received from Governments through the establishment of national steering committees across all regions.

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## Contents

	<i>Page</i>
I. Introduction .....	3
II. Commitments of Member States and the United Nations to cooperatives .....	3
III. Cooperatives and socio-economic development .....	4
A. Size of the cooperative sector .....	5
B. Employment .....	6
C. Poverty reduction .....	8
D. Financial cooperatives .....	10
E. Social protection .....	10
F. Post-disaster relief .....	11
G. Peacebuilding .....	11
IV. Strengthening cooperatives .....	12
V. International Year of Cooperatives 2012 .....	14
A. Background and objectives .....	14
B. Implementation .....	15
C. Action beyond 2012 .....	20
VI. Conclusions and recommendations .....	20

## I. Introduction

1. The present report is submitted in response to General Assembly resolution 64/136, in which the Secretary-General was requested to submit a report to the Assembly at its sixty-sixth session on the promotion of cooperatives in social development, including a proposal on activities to be undertaken during the International Year of Cooperatives 2012. It discusses the contribution of cooperatives to socio-economic development and provides information on preparations for the International Year of Cooperatives 2012, including a selection of activities that have been undertaken or planned in preparation for and support of the Year. This information is based on responses from 24 Member States, 25 apex cooperative organizations and 3 United Nations agencies to a survey undertaken by the Department of Economic and Social Affairs of the Secretariat.<sup>1</sup> The report concludes with recommendations to promote and strengthen cooperatives.

## II. Commitments of Member States and the United Nations to cooperatives

2. At the World Summit for Social Development held in Copenhagen in 1995, Governments agreed to utilize and fully develop the potential and contribution of cooperatives for the attainment of social development goals, with an emphasis on the eradication of poverty, the generation of full and productive employment, and the enhancement of social integration. They also recommended the establishment of legal frameworks that would encourage the development of cooperative enterprises.<sup>2</sup>

3. In 2001, Governments further agreed to promote the cooperative sector in recognition of their role and contribution to socio-economic development through the United Nations guidelines aimed at creating a supportive environment for the development of cooperatives<sup>3</sup> and Recommendation No. 193 (2002) of the International Labour Organization (ILO) concerning the promotion of cooperatives.<sup>4</sup>

<sup>1</sup> Responses to the Member States survey were received from: Bangladesh, Bulgaria, China, Cyprus, Dominica, Ecuador, Germany, Guyana, Japan, Kenya, Lebanon, Malta, Mexico, Mongolia, Mozambique, Niger, Panama, Romania, Singapore, Thailand, Turkey, United Republic of Tanzania, Uruguay, and Zimbabwe. Responses were received from the following organizations: Bangladesh Jatiya Samabaya Union, Capricorn Society Ltd (Australia), Central Union of Agricultural Cooperatives (JA-Zenchu), Coopeuch Ltda, DGRV (Deutscher Genossenschafts- und Raiffeisenverband e. V.), GdW Bundesverband Deutscher Wohnungs- und Immobilienunternehmen e. V., Instituto Nacional de Fomento Cooperativo (INFOCOOP) Costa Rica, Islamic Republic of Iran Central Chamber of Cooperatives, KFO, HSB, Riksborgen, KF, OK, Fonus, Coompanion, Folksam and the Swedish Cooperative Centre (SCC), l'Association coopérative de la République tchèque, Mongolian National Cooperators Association, National Cooperative Business Association, National Cooperative Council, National Cooperative Union of India, New Zealand Cooperatives Association, SOK Corporation (the central organization of Finnish cooperative societies), the Central Union of Consumer Cooperatives of the Republic of Moldova, Union of Cooperatives — Iberia, Georgia.

<sup>2</sup> *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8).

<sup>3</sup> See General Assembly resolution 56/114 and A/56/73-E/2001/68, annex.

<sup>4</sup> Available from <http://www.ilo.org/ilolex/cgi-lex/convde.pl?R193>.

4. Several United Nations agencies currently promote and support cooperative development and growth. The ILO EMP/COOP unit serves ILO constituents and cooperative organizations in four areas: public awareness-raising; ensuring the competitiveness of cooperatives; inclusion of cooperative principles and practices in national education and training systems; and advice on cooperative policy and cooperative law. The Food and Agriculture Organization of the United Nations (FAO) operationalizes its commitments on food security through its Committee for Food Security by engaging in partnerships and collaboration with rural cooperatives and other small-scale producer organizations. The Committee is meant to become the foremost inclusive international and intergovernmental platform dealing with food security and nutrition, with the full participation of representatives of rural cooperatives and producer organizations at all levels. The World Food Programme (WFP) “purchase for progress” (P4P) initiative supports agricultural cooperatives in 21 pilot countries to improve food production.

5. The Committee for the Promotion and Advancement of Cooperatives consisting of the Secretariat of the United Nations, ILO, FAO and the International Cooperative Alliance actively promotes and raises awareness of cooperatives through inter-agency technical cooperation and publication of research into cooperatives.

### **III. Cooperatives and socio-economic development**

6. Early cooperatives were associated with periods of economic hardship. The Rochdale retail cooperative in the United Kingdom of Great Britain and Northern Ireland was formed in 1844 in response to the economic difficulties of weavers at the time of the industrial revolution. Similarly, the European cooperative banks had their origins in the first banking cooperative (Raiffeisen) organized in Germany to support peasants facing famine and economic dislocation in the mid-1800s. Over the years, cooperatives have spread globally and into various sectors and activities such as agriculture, fishing, housing, banking, insurance, water, electricity, health care and tourism. Today, successful cooperatives continue to generate, improve and protect incomes, as well as generate employment opportunities. Cooperative enterprises, especially in developing countries, contribute to the achievement of many of the internationally agreed development goals, including the Millennium Development Goals.

7. The contribution that cooperatives make to socio-economic development derives from the fact that they are member-owned business enterprises.<sup>5</sup> This distinctive characteristic of cooperatives provides the framework or model of business enterprise that enables the self-empowerment of the poor and other marginalized groups, and promotes community self-reliance, collaboration and cohesion. By enabling individuals in a local community to pool resources in pursuit of an economic enterprise, cooperatives can become catalysts for socio-economic development in their communities. For example, cooperatives can play an important role in the promotion of gender equality and the empowerment of women.

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<sup>5</sup> The International Cooperative Alliance defines a cooperative as 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”.

8. Moreover, adherence to cooperatives values and principles<sup>6</sup> makes cooperatives a positive presence in their local communities because successful cooperatives demonstrate the importance of democratic values, solidarity and respect for human values and the environment.

## A. Size of the cooperative sector

9. Cooperatives are present in all countries and it is estimated that 1 billion individuals are members of cooperatives worldwide.<sup>7</sup> The International Cooperative Alliance, the umbrella organization of cooperatives worldwide, has 249 apex or cooperative network member organizations from 94 countries in all sectors of the economy. Information collected by the Alliance from numerous countries suggests that cooperative activities account for between 3 and 10 per cent of national gross domestic product (GDP).

10. The ICA Global 300 project, which compiles information on the 300 largest cooperatives in the world, indicates that in 2008 they had an aggregate turnover of \$1.1 trillion, comparable to roughly one-tenth of the GDP of the United States of America. Most of the 300 largest cooperatives are found in the developed economies of France, Germany, Japan, the Netherlands and the United States. The sectoral distribution of these cooperatives is as follows: 30 per cent are in agriculture and food; 23 per cent in retailing; 22 per cent in insurance; and 19 per cent in banking.

11. Cooperatives have an important presence in the United States. For example, more than 900 rural electric cooperatives deliver electricity to more than 42 million people in 47 States of the United States. This represents 42 per cent of the country's electric distribution lines and covers 75 per cent of its land mass. United States agricultural cooperatives have a market share of about 28 per cent in the processing and marketing of agricultural products, and a 26 per cent share in the supply of inputs. Cooperatives were highly visible recently when the Group Health Cooperative in Puget Sound, which has 570,000 members, figured prominently as a model for consideration in the drafting of the United States health-care reform in 2010.

12. In Europe, agricultural cooperatives have an aggregate market share of about 60 per cent in the processing and marketing of agricultural commodities and an estimated 50 per cent share in the supply of inputs. In France, the cooperative movement has a turnover of 181 billion euros, where cooperatives handle 60 per cent of retail banking, 40 per cent of food and agricultural production, and 25 per cent of retail sales.

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<sup>6</sup> Cooperative values include self-help, self-responsibility, democracy, equality, equity and solidarity. The cooperative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for the community.

<sup>7</sup> Statistical information on the cooperative movement, available from [www.ica.coop](http://www.ica.coop).

13. In New Zealand, agricultural cooperatives dominate each stage of the agricultural supply chain, capturing a market share of over 75 per cent, while consumer cooperatives in food retailing have a market share of 60 per cent.<sup>8</sup>

14. In developing countries, cooperatives also play a prominent role. In Brazil, cooperatives were responsible for 37.2 per cent of agricultural GDP and 5.4 per cent of overall GDP in 2009. Brazilian agricultural cooperatives, with almost 1 million members, earned about \$3.6 billion from exports in 2009. The country's health cooperatives provided medical and dental services to 17.7 million people, just under 10 per cent of the population. The 8,124 cooperatives in Colombia contributed 4.96 per cent of national GDP in 2009. Colombian cooperatives account for 22 per cent of all employment in the health sector; 14.7 per cent of employment in the transport sector; 7.7 per cent of agricultural employment; and 6.5 per cent of employment in the financial sector. Colombian cooperatives provide 91 per cent of all microcredit in the country and employ over 137,000 people, the majority of whom are women.

15. In Mauritius, cooperatives in the agricultural sector play an important role in the production of sugar, vegetables, fruit, flowers, milk, meat and fish. Cooperative societies also account for more than 60 per cent of national production in the food crop sector.<sup>9</sup> In Kenya, the savings and credit cooperatives, the largest in Africa, have assets of \$2.7 billion, which account for 31 per cent of gross national savings.<sup>10</sup>

## B. Employment

16. It is estimated that cooperatives employ more than 100 million people worldwide.<sup>11</sup> Of this total, cooperatives in the United States, account for more than 2 million jobs; French and Italian cooperatives employ 1 million and 1.1 million people respectively; Brazilian cooperatives employ 274,000 individuals; Argentinian cooperatives are responsible for 290,000 jobs; and Colombian cooperatives employ 700,000 workers. In Kenya, 250,000 people are employed by cooperatives; in Indonesia, cooperatives provide approximately 300,000 jobs.

17. Cooperatives promote employment in three different ways — direct, indirect and induced (see A/62/154, para. 11). First and foremost, cooperatives generate direct employment for their own members. Second, cooperatives spur indirect employment by conducting business with suppliers of goods and services. Third, induced employment arises as a result of increased spending derived from the wages and incomes of cooperative workers.

18. Three main types of cooperatives contribute to employment in distinctive ways (see table 1 below). Producer cooperatives bring together individuals to attain

<sup>8</sup> “Cooperatives as a business organization: lessons from cooperative organization history”, monograph on the occasion of the farewell to Wim J. J. van Diepenbeek, University of Maastricht, May 2007. Available from <http://www.eurocoopbanks.coop/GetDocument.aspx?id=da6def67-6028-4786-b904-097bf8bb1fdb>.

<sup>9</sup> Statistical information on the cooperative movement, available from [www.ica.coop](http://www.ica.coop).

<sup>10</sup> Nelson C. Kuria, “The experience of cooperative insurance in Kenya, in particular, and Africa in general”, paper prepared for the expert group meeting on cooperatives in social development, organized by the Division for Social Policy and Development of the Department of Economic and Social Affairs and the Government of Mongolia, Ulaanbaatar, 3-6 May 2011.

<sup>11</sup> ILO Coop Fact Sheet No. 1: “Cooperatives and rural employment”, 2007.

economies of scale and levels of competitiveness and efficiency while retaining self-employment and collective autonomy. For example, in 2004, 924,000 farmers in Kenya and an estimated 4 million farmers in Egypt earned their livelihood from membership in agricultural cooperatives. Similarly, about 900,000 people in the agricultural sector of Ethiopia generate part of their income through their cooperatives.<sup>12</sup>

### Socio-economic development through cooperatives

Table 1  
Types of cooperatives and their respective benefits

<i>Type of cooperative</i>	<i>Direct benefits to members</i>	<i>Socio-economic effects</i>	<i>Development impact</i>
Consumer cooperative	Access to basic goods and services at near as possible to cost price	Income goes further and savings are made. This encourages expenditure in other areas — nutrition, health care, education	Lower mortality and morbidity in women and children. Higher rates of school attendance (especially for girls)
Producer cooperative	Higher price for product, higher profit, stable and guaranteed income	Increased capability, ability to spend on meeting basic needs (education, health, nutrition, life insurance). Ability to plan for the future, expand the business, take risks	Increased productivity, diversification of economy, financial “deepening”, boost to rural economy (farming), improved health and safety (urban economy)
Employee-owned (worker) cooperative	Decent work, greater return to labour, job protection, employee control	Increased capability, higher and more stable income leading to expenditure on meeting basic needs (education, health, nutrition etc). Increased opportunities for training	Reduction in unemployment, improved skills base, increased output/GDP, export earnings, improved health and safety

*Source:* Johnston Birchall, discussion paper presented at the expert group meeting on cooperatives in a world in crisis, New York, 28-30 April 2009.

19. Consumer cooperatives, on the other hand, facilitate the more economical sourcing of goods by reducing reliance on middlemen, allowing bulk buying and operating retail outlets. Additionally, consumer cooperatives in housing, building, utilities and finance can provide affordable services that improve community infrastructure and spur further economic activity through local investments.

<sup>12</sup> Frederick O. Wanyama, Patrick Develtere and Ignace Polet, “Encountering the evidence: cooperatives and poverty reduction in Africa”, available from <http://www.cooperatiefondernemen.be/wp/WP%20SCE%2008-02.pdf>.

20. Worker cooperatives, typically composed of skilled artisans, are able to maintain the stability and availability of employment, relying on wage flexibility and access to member savings to sustain enterprises when capital may be limited.

21. Cooperatives also contribute to qualitative aspects of employment by seeking meaningful, dignified work for labourers and by embracing social responsibility and pursuing objectives that pertain to the well-being of the greater community. This is reflected in the adherence of the movement to the “decent work” agenda of the ILO. For instance, cooperatives, or even “pre-cooperatives” can mobilize and protect segments of the labour force that may be particularly vulnerable, such as informal workers. Furthermore, the increasing density of cooperative network links, such as those established through the fair trade movement, or those generated by consultations among a new diversity of national federations, also contributes to global labour solidarity and the spirit of mutual consideration and responsibility. For this, the global work of the ICA is also crucial to forging greater institutional coherence and focus on the part of the cooperative movement as a whole.

### **C. Poverty reduction**

22. Through the mechanism of collective action that enables members to pool resources and thereby participate more fully in production, profit-sharing, cost-saving, or risk-sharing activities, cooperatives are able to foster economies of scale that lead to better bargaining power of members as buyers and sellers in the marketplace. In the global agricultural sector, this is an important consideration where up to 50 per cent of output is marketed through cooperatives.

23. In India, the extra income generated by women working in dairy cooperatives through better marketing and distribution, are important contributions to household incomes.<sup>13</sup> The Uganda Private Midwives association helps change the daily lives of its members and the wider community by addressing maternal and infant care.<sup>14</sup> The Kilimanjaro Native Cooperative Union has developed some innovative programmes to address the plight of orphans and vulnerable children. It designed a seven-year scholarship programme (2006-2012) that meets the secondary educational expenses of the orphans and vulnerable children of its members. The programme is financed through the premium revenues generated by the Cooperative from the sale of members’ coffee through fair trade arrangements.

24. Cooperative principles of self-help and collective action promote empowerment and participation and enable the poor to become active participants in the improvement of their own livelihoods and economic futures. Cooperatives endeavour to cultivate human capital, elevating skill sets and offering a forum through which the poor and disadvantaged can organize in defence of their economic and legal interests. For example, in the informal sector, transportation cooperatives enable individual service providers to operate effectively for their mutual benefit, thereby improving the household incomes of members. Service cooperatives owned and operated by handicapped people and the rural and urban poor, especially women, also help improve household incomes and contribute to

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<sup>13</sup> Maheswararao Veeranki, “Women dairy cooperatives in Rajasthan: success story of a women dairy project”, *Kuruksheetra*, vol. 51, No. 6 (2003), pp. 19-22.

<sup>14</sup> Uganda Professional Midwives Organization (2011), “Projects”, available at <http://www.upmouganda.org/projects.html>, accessed 22 June 2011.



poverty reduction. In the Philippines, for example, young people are engaged in selling goods through the cooperative Claveria Grassroots Mart Inc. and developing youth leadership through operation of its canteens.<sup>15</sup>

25. Agricultural cooperatives are able to offer incentives to small and subsistence farmers that make their production for the market more sustainable and competitive, and can improve producer coordination, market access, and collective bargaining power vis-à-vis retailers, as well as reduce transaction costs, helping to raise rural productivity, improving food security and helping with rural development. In Viet Nam, for example, 44 per cent of all active cooperatives work in the agriculture sector, while another 2 per cent work in forestry and fisheries.<sup>16</sup> In India, more than 50 per cent of all cooperatives serve as primary agricultural credit societies or provide marketing, warehousing and other services to their producer members.<sup>17</sup> Agricultural cooperatives also promote the participation of women in economic production, which helps in food production and rural development. In India, 100,000 dairy cooperatives collect 16.5 million litres of milk from 12 million farmer members every day, making a significant contribution to the food supply.

26. The adverse impact of globalization on agricultural production and food security in developing countries has led to an increasing interest in fair trade. Under fair trade arrangements, producers are guaranteed a price that covers the cost of production and provides a fair profit margin. Producers in turn are expected to meet the fair trade standards, such as avoiding the use of child labour and employing cultivation techniques that are safe for the environment and public health. In most cases fair trade farmers are required to reserve a portion of their revenues for social projects, ensuring that community development and technical training for farmers will always be possible. Many smallholder farmers who have formed cooperatives are now engaged in this arrangement.

27. In Peru, the organizational and technological capacities of the Central Association of Small Producers of Organic Bananas, a cooperative operating under fair trade arrangements, enable it to promote fair trade in the commercial chain and diversify the productive system in a sustainable manner. In three years the Association's profits have grown rapidly and it has strengthened food security and improved the social, economic, cultural and environmental situation of its members and community.<sup>18</sup> The 126 members of the Toledo Cacao Growers Association rely on cocoa production for their income. For members, fair trade premiums have meant the difference between sending their children to school and keeping them at home to work. For the El Ceibo cooperative in the Plurinational State of Bolivia, fair trade has brought new independence and empowerment to farmers who were previously

<sup>15</sup> Clarissa S. Trampe, "Youth reinventing co-operatives: young perspectives on the international co-operative movement" (2009), available from: <http://www.learningcentre.coop/resource/when-hands-are-held-tight-story-endearing-people-claveria>.

<sup>16</sup> Nguyen Minh Tu, "Cooperative development in Viet Nam: success and challenges", paper prepared for the expert group meeting on cooperatives in social development, Ulaanbaatar, 3-6 May 2011.

<sup>17</sup> Daman Prakash, "Agriculture and agricultural cooperatives in India", paper prepared for the Central Union of Agricultural Cooperatives JA-Zenchu, Tokyo (2009).

<sup>18</sup> Michael de Groot, "Case CEPIBO", paper prepared for the expert group meeting on cooperatives in social development, Ulaanbaatar, 3-6 May 2011.

shuffled from one flawed and exploitative agricultural exporting system to another.<sup>19</sup>

#### **D. Financial cooperatives**

28. Financial cooperatives, such as credit unions, savings and credit cooperatives, and cooperative banks, provide members with low-cost and readily accessible financial services. These include, among others, reliable savings facilities tailored to members' needs, credit or microfinance for small-scale start-up enterprises, and more affordable remittance networks. Financial cooperatives also offer financial services to populations underserved by the mainstream commercial sector and play an important role in achieving a more inclusive financial sector.

29. The recent financial crisis has generated renewed interest in alternative financial institutions, as financial cooperatives and credit unions have demonstrated a noteworthy resilience and even growth.<sup>20</sup> For example, some financial cooperatives and credit unions experienced an influx of deposit funds as members sought a safer location for their savings and sustained or increased their rates of lending when many other commercial institutions were retrenching (see A/64/132, para. 34). These outcomes indicate the importance of institutional diversity in the financial sector, demonstrate the advantages of alternative business models such as cooperatives, and point to how cooperatives can contribute to the stability of the broader financial system.

#### **E. Social protection**

30. Cooperatives, through mutual companies, also provide social protection in the form of property/casualty insurance, medical insurance, and life insurance. CIC Insurance Group in Kenya provides affordable insurance to populations left out by mainstream insurance companies. In addition to risk protection services for the poor and the disadvantaged, CIC is the largest provider of microinsurance in Kenya.

31. Among Islamic communities, a recent insurance initiative is *takaful* insurance. It is a participatory form of insurance based on risk sharing by customers and guided by cooperative principles operating under Islamic law. Under *takaful*, every policyholder pays his subscription to help those that need assistance and losses are divided and liabilities spread according to the community pooling system. Total *takaful* premiums, at about \$5.3 billion in 2008, have shown double digit growth in recent years.<sup>21</sup>

32. Cooperative health insurance contributes to the preservation and promotion of human health, strengthens health systems and helps to improve health conditions for

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<sup>19</sup> See Global Exchange, "Fair trade cocoa cooperatives", available from <http://www.globalexchange.org/campaigns/fairtrade/cocoa/cocoacooperatives.html> (accessed 11 July 2011).

<sup>20</sup> European Association of Cooperative Banks (EACB), "Cooperative banks and the crisis: a resilient model", EACB survey, December 2009.

<sup>21</sup> Ajmal Bhatti, "The growing importance of *takaful* insurance", paper prepared for the Asia regional seminar organized by the Organization for Cooperation and Economic Development and Bank Negara Malaysia, Kuala Lumpur, 23-24 September 2010.

people, especially the poor. UNIMED in Brazil is both a health insurance company and a medical cooperative operating in a highly competitive market. UNIMED is committed to improving health services and has implemented two pay-for-performance programmes to improve health service quality and efficiency among its network of 258 providers serving 800,000 people.<sup>22</sup> In Senegal, the health mutual, PAMECAS, provides affordable insurance for savings and health care to disadvantaged and low-income families.<sup>23</sup>

## F. Post-disaster relief

33. Cooperatives help in post-disaster recovery and reconstruction. After the Banda Aceh tsunami in 2006, cooperatives helped in post-disaster recovery. The cooperative movement mobilized and prioritized activities for assistance and reconstruction and cooperatives developed some guiding principles, including partnership with organizations on the ground, to diversify support to different projects and avoid duplication of effort. In the aftermath of the recent tsunami in Japan, Japanese cooperatives are helping in the recovery process, including through provision of medical services, supply of food and drugs and of small credit to victims. In the United States, the Cooperative Development Foundation has launched the Spring Storms of 2011 Cooperative Recovery Fund. It is designed for cooperatives to help other cooperatives that have been adversely impacted by storms, tornadoes, floods and wildfires.

## G. Peacebuilding

34. Cooperatives can play an important role in peacebuilding and creating bridges of communication in areas of conflict or ethnic division. Cooperatives bring together people who have a common economic interest despite their conflicts in other areas.<sup>24</sup> Cooperatives contribute to economic peacemaking through a long history of bridging conflict through dialogue among peoples, and their locally rooted form of economic development helps give people the opportunity to work together on small-scale democracy. In Rwanda, a credit union system was rebuilt by the World Council of Credit Unions without regard to ethnicity and there are currently 149 credit unions with an estimated 400,000 members.

35. Cooperatives, as self-help organizations, enable people to organize and improve their circumstances by pursuing business enterprises. As such, they help improve incomes and generate employment, and by adhering to principles of mutual responsibility they contribute to social integration and cohesion. In particular, cooperatives empower members by fostering participatory and democratic decision-making processes, and by emphasizing capacity-building and human capital investment through member education and training. From the development

<sup>22</sup> Paulo Borem and others, "Pay-for-Performance in Brazil: UNIMED-Belo Horizonte physician cooperation" (24 May 2010). Available at <http://www.healthsystems2020.org/content/resource/detail/2564>.

<sup>23</sup> International Cooperative and Mutual Insurance Federation, *Prosper*, issue 8, August 2010, p. 3.

<sup>24</sup> George J. Mitchell, "Cooperatives can play a role in peacekeeping". Available from <http://www.ncba.coop/sample> (accessed 17 July 2011).

perspective, cooperatives contribute to socio-economic development even though their primary objectives are to help their members meet common objectives.

#### **IV. Strengthening cooperatives**

36. For cooperatives to leverage their contribution to socio-economic development, they have to be sustainable and stable enterprises. The expert group meeting on cooperatives in social development, organized by the Division for Social Policy and Development of the Department of Economic and Social Affairs and the Government of Mongolia and held in Ulaanbaatar from 6 to 8 May 2011, highlighted some of the good practices of successful cooperatives; among them are sound governance and capable leadership, management and market knowledge, the provision of training, mainstreaming cooperatives in education, and the importance of information databases and sound research that will support policy recommendations. Equally important in promoting the growth and formation of cooperatives in a sustainable manner is the provision of sound policy and legislative frameworks by Governments.

37. Sound internal governance and capable leadership are pivotal to cooperative success. Particularly crucial is the alignment of managerial skill and sectoral knowledge with member interests. In Singapore, the code of governance for cooperatives, launched by the Singapore National Cooperative Federation in 2006, seeks to address some of the issues of internal governance in the cooperative movement and outlines the good governance practices necessary for credit cooperatives.

38. In Ethiopia, the Oromia Coffee Farmers Cooperative Union provides a good example of how to promote efficiency and growth in the cooperative movement. As a union of primary cooperatives, since 1999 the organization has worked to bring its producing members higher up the value chain, not only by achieving competitive scale, marketing and bargaining power, but by empowering farmers to achieve better quality production and operations through technical education and improving business management capacity. As of 2010, membership in the union had more than quintupled and the sales value had increased exponentially since 2001.<sup>25</sup>

39. In Kenya, the success of CIC Insurance Group is correlated with improved internal governance as well as enhanced business practices. Even after hefty capital injections into the company between 1996 and 1998, the growth of the cooperative was both slow and erratic. However, with a change in management that introduced sound strategic planning, member education and member engagement, the company was able to make a complete turnaround to become the third largest insurer in Kenya.<sup>26</sup>

40. Training is important in creating strong managerial capacity and should aim to instil the core values and principles of cooperatives and improve capacity to enhance their operations. Some respondents to the 2011 Member State questionnaire on cooperatives indicated that initiatives to strengthen cooperative membership and

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<sup>25</sup> Tadesse Meskela, "Status of Oromia Coffee Farmers Cooperative Union (OCFU)". Paper prepared for the expert group meeting on cooperatives in social development, Ulaanbaatar, 3-6 May 2011.

<sup>26</sup> Kuria, "The experience of cooperative insurance in Kenya" (see footnote 10 above).

leadership include integrating cooperative knowledge in school curricula, including in cooperative colleges and cooperative programmes in business schools. In some countries, programmes are run as a partnership with the cooperative movement, such as in Costa Rica, where CENECOOP has worked with the Ministry of Education to bring cooperative education into secondary schools through e-learning.<sup>27</sup> In the United States, the Babson-Equal Exchange Curriculum on Cooperatives, in partnership with cooperatives and academia, offers a graduate level system for education on the management and operation of cooperative enterprises. It has also launched the curriculum online for free to spur its use by business schools around the world.<sup>28</sup>

41. To better understand cooperatives and assess their socio-economic development impact, research and the collection of harmonized statistics on cooperatives should be given priority. Such research will help raise awareness of cooperatives and their contribution to society and encourage the promotion and formation of cooperatives. Studies on taxation and other exemptions, accounting standards, and rules limiting access to capital should take into account the distinct nature of cooperatives. Emerging issues relating to cooperatives that need further research include green jobs, information technologies and shared business services. The biggest challenge to implementing research and data collection on cooperatives, however, is lack of funding. Partnerships and collaborative efforts among all stakeholders, including for funding, developing a coordinated approach to research, data collection and building a cooperative database on good practices, could be an essential project of the International Year of Cooperatives.

42. Cooperative networking, or cooperation between cooperatives, is also an important element of strengthening the capacity and effectiveness of cooperative enterprises. In many of the examples cited above, added value was a pivotal factor affecting the improved effectiveness, business success and socio-economic reach of the producer cooperatives involved, a reality also exemplified by Mondragon Corporation in Spain and La Legacoop in Italy. In operating as cooperatives of cooperatives or unions/federations of cooperatives, institutionalized cooperation raised the scale of economic activity to a level that allowed for reduced operational cost and created enough pooled resources to accommodate technological expansion and shared marketing and quality control services, and the formation of new cooperatives. These cooperative networks provide an institutional response to increasing global competition and the need to accelerate the pace of innovation.<sup>29</sup>

43. Through cooperative policies, laws and regulations, Governments play an important role in providing an enabling environment and level playing field to enable cooperatives to compete with mainstream enterprises. To this end, the legal framework must be aligned with changing economic realities and cooperative laws amended to eliminate gaps, if necessary. The modernization and update of

<sup>27</sup> Neticoop, “*CENECOOP lanza proyecto para mejorar la competitividad de las cooperativas nacionales y regionales*” (28 August 2006). Available from <http://www.neticoop.org.uy/article2327.html>.

<sup>28</sup> Babson College press release, “Babson launches wiki for education on cooperatives”, 17 June 2011. Available at <http://www3.babson.edu/newsroom/releases/WhitmanCooperativesCurriculum6-11ns.cfm>.

<sup>29</sup> Stephen C. Smith, “Blooming together or wilting lone? Network externalities and the Mondragon and La Lega cooperative networks”, United Nations University World Institute for Development Economics Research, discussion paper No. 2001/27 (June 2001).

cooperative laws should ensure that legislation is rooted in cooperative values and principles. Government regulation should be balanced with the autonomy that allows cooperatives to formulate their own by-laws.

44. In the 2011 survey of Member States on cooperatives, most States indicated the use of ILO Recommendation No. 193 and the United Nations guidelines for the promotion of cooperatives as a basis for their cooperative policies and legislation. China, Kenya, Malta and Panama indicated ongoing review of their cooperative policies and legislation to improve access to credit and to promote sound business practices and value added. Member States mentioned the following initiatives to empower cooperatives: improvement of managerial and technical capacity, review of existing legislation and access to credit. Most Member States which responded indicated that cooperatives and their socio-economic contributions were considered in the implementation of national development policy.

45. History has shown that when cooperatives are overly influenced by the State, they can become not only unsustainable, but also irrelevant and inefficient. In Africa, for example, although the creation of cooperatives as a political imperative led to a proliferation of cooperatives across the continent, their activities became distanced from the dominant social and economic social patterns of their communities. In addition, the principle of self-reliance became highly undermined and cooperatives were no longer member-driven, but mere agents of political strategy, with the surpluses generated used to fund projects as directed by the State, resulting in demotivation among members.<sup>30</sup>

46. The International Year of Cooperatives offers a unique opportunity for active engagement and dialogue between Governments, cooperatives and other relevant stakeholders worldwide on how an enabling legal and fiscal cooperative policy would promote the sustainability of cooperatives, and strike the necessary balance with independent control.

## V. International Year of Cooperatives 2012

### A. Background and objectives

47. The United Nations General Assembly, in its resolution 64/136, proclaimed 2012 as the International Year of Cooperatives. The Year has three main objectives:

(a) To increase public awareness about cooperatives and their contribution to socio-economic development and the achievement of internationally agreed development goals including the Millennium Development Goals;

(b) To promote the formation and growth of cooperatives for socio-economic empowerment;

(c) To encourage Governments and regulatory bodies to establish policies, laws and regulation conducive to cooperative formation and growth.

48. Although the contribution of cooperatives to socio-economic development is well recognized, knowledge about the distinctive nature of cooperatives remains

<sup>30</sup> Patrick Develtere, Ignace Pollet and Fredrick Wanyama, eds., *Cooperating Out of Poverty: The Renaissance of the African Cooperative Movement* (Geneva, ILO, 2009).

elusive to the general public and many decision makers. Therefore, one of the key objectives of the Year will be to raise awareness of cooperatives in both developed and developing countries, and improve the image of cooperatives as a modern business model. The Year will also give visibility to the contributions of cooperatives in tackling the issues of poverty, employment, loss of income, food security, social inclusion and empowerment, while paying specific attention to the advantage of cooperatives in addressing the gender dimensions of social and economic development.

## **B. Implementation**

### **International implementation**

#### *Central coordination*

49. At the international level, coordination of the implementation of the Year has been undertaken by the Committee for the Promotion and Advancement of Cooperatives, which is comprised of the Department of Economic and Social Affairs, ILO, FAO and the International Cooperative Alliance. This body will be advised by a group of advisers composed of prominent persons drawn from various sectors in the cooperative movement, academia and civil society. Together these bodies are working to prepare the central strategy and key messages guiding the implementation of the Year. The key messages will highlight and support the theme of the Year: “Cooperative enterprises build a better world”. In preparation for the Year, the coordinating committee has reached out to cooperatives, civil society, national Governments, relevant United Nations entities and other stakeholders.

50. The Department of Economic and Social Affairs convened an expert group meeting on cooperatives in social development in Ulaanbaataar from 6 to 8 May 2011 to assist with its preparations for the Year. The meeting was hosted by the Ministry of Foreign Affairs and Trade and the Ministry of Food, Agriculture and Light Industry of Mongolia.<sup>31</sup>

#### *Meetings, conferences and special events*

51. In its resolution 65/184, the General Assembly decided that the International Year of Cooperatives would be launched on 31 October 2011 at a plenary meeting of its sixty-sixth session. The Assembly also decided to convene an informal round table that would precede the plenary meeting.

52. Together, FAO, the International Fund for Agricultural Development (IFAD) and WFP plan to organize a side event on agricultural cooperatives at the launch of the Year, to take place at United Nations Headquarters in New York. To promote the year among its existing constituents, FAO will organize a series of meetings throughout the year, which will link to the regional FAO conferences around the world. These meetings include the twenty-sixth Regional FAO Conference for Africa, the thirty-first Regional FAO Conference for the Near East, the thirty-first

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<sup>31</sup> The meeting was also co-sponsored by ILO, FAO, ICA, the Consumer Cooperative Institute of Japan, CIC Insurance Group Kenya, COEXPHAL (the Association of Fruit and Vegetable Producer Organizations) and the University of Almeria, Spain, the Swedish Cooperative Centre, the University of Wisconsin, United States, Inter Press Service and the Mongolia National Cooperators' Association.

Regional FAO Conference for Asia and the Pacific, the thirty-second Regional FAO Conference for Latin America and the Caribbean, the twenty-eighth Regional FAO Conference for Europe and the thirty-seventh session of the Committee on World Food Security. FAO will also dedicate activities specifically to the commemoration of the Year, during World Food Week 2012.

53. ILO will convene a high-level symposium on cooperatives and youth employment in the week preceding the 101st session of the International Labour Conference in 2012. An expert meeting will also be convened in 2012 on the subject, “Ten years after ILO Recommendation No. 193: stocktaking and the way forward”. There will be a training session on cooperatives with a focus on policy and legislation at the International Training Centre of the ILO in Turin.

#### *Communication and outreach*

54. The Department for Economic and Social Affairs has taken the lead in planning and coordinating the communications and outreach activities for the Year. Working together with members of the Committee for the Promotion and Advancement of Cooperatives and the Graphic Design Unit of the Department of Public Information, the Department for Economic and Social Affairs has created a logo that tries to convey the theme of the Year. An information kit and a communication toolkit and advocacy guide are being developed for both electronic and print dissemination. The proposed contents of the information kit include a promotional brochure featuring the logo of the Year, a flyer on key messages and relevant action points, as well as a more in-depth informational brochure, which elaborates on the inception and implementation of the Year, supporting analysis of the key messages and a brief call to action. The communication toolkit/advocacy guide will present the communication strategy for the Year in an accessible manner and provide guidance for interested organizations and Governments on how to implement their own campaigns for the Year in alignment with global efforts.

55. The Department for Economic and Social Affairs is also coordinating the use of social media to raise awareness of the Year and its branding, in order to encourage a level of unification in the global campaign. To date, a “CoopsYear” community page has been established on Facebook with the preliminary messages focused on advocating use of the logo for events and activities related to the Year. A “CoopsYear” Twitter following has also been established. Throughout the Year, these pages will be used to inform followers of events coordinated through the main committee, as well as to raise awareness of national and local level initiatives. Where appropriate, the pages will also be used to garner feedback from followers on featured issues and initiatives.

56. An official website for the Year has been developed and is being maintained by the Division for Social Policy and Development of the Department for Economic and Social Affairs. The website will function as the communications hub for the Year, and will provide information on events during the Year, news on cooperatives, and other related developments at the national, regional and global levels. The site will also host an interactive blog which will feature regular analytical pieces on the cooperative business model and its contributions to sustainable development. The Department also plans to work with cooperative news media to develop a news portal on cooperatives, which will feed into the official website.



57. FAO, IFAD and WFP are collaborating to produce a series of materials, in commemoration of the Year, which aim to promote rural cooperatives. The information kit will feature an informational flyer with key messages on agricultural cooperatives and a good practices guide featuring case studies chosen to reflect thematic, gender and geographical balance, as well as both developed and developing country perspectives. These organizations are planning to issue a joint press release to launch the Year.

58. ILO is developing thematic brochures to be disseminated during the course of the Year. It also plans to produce a short film on cooperatives which will be released at the official launch of the Year on 31 October 2011.

#### *Research and data collection initiatives*

59. The Department for Economic and Social Affairs plans to disseminate thematic monthly briefing papers throughout the course of the Year. The monthly themes will relate to the key messages of the main campaign. Plans have also been made for the compilation of analytical material on cooperatives in development, to be released as a single publication at the end of the Year.

60. FAO will participate in a study commissioned by ILO and supported by COPAC on the state of cooperatives in the world, which will result in a knowledge base showcasing the size, scope and socio-economic impact of cooperatives across the world.

61. ILO is piloting an initiative which involves the collection of data specific to cooperatives in 14 countries. The organization is also working to develop a proposed methodology for the inclusion of such data in existing United Nations and ILO statistical surveys.

#### **Regional and national implementation**

62. As outlined by the General Assembly in resolution 64/136, a central aspect of the strategy has been the encouragement of Member States to establish national committees. As of 15 June 2011, 48 Governments had reported the establishment of national committees and/or focal points for the Year, with representation from all regions of the world (see table 2 below).

Table 2

#### **National committees established for the International Year of Cooperatives**

<i>Africa</i>	<i>Europe</i>	<i>Americas</i>	<i>Asia</i>	<i>Oceania</i>
Algeria	Belgium	Canada	Bangladesh	Australia
Benin	Bulgaria	Costa Rica	Brunei Darussalam	New Zealand
Burkina Faso	Croatia	Ecuador	China	Tuvalu
Central African Republic	Cyprus	Guyana	Japan	Vanuatu
Ethiopia	Finland	Honduras	Jordan	
	Germany	Panama		

<i>Africa</i>	<i>Europe</i>	<i>Americas</i>	<i>Asia</i>	<i>Oceania</i>
Ghana	Greece	Peru	Lebanon	
Kenya	Malta	St Vincent and the Grenadines	Mongolia	
Madagascar			Philippines	
Mauritius	Montenegro	Trinidad and Tobago	Qatar	
Swaziland	Slovakia		Singapore	
United Republic of Tanzania	Spain		Thailand	
Zimbabwe			Turkey	

63. Some Governments have not established national committees but have encouraged national cooperative organizations to take the lead on the Year. The Australian steering committee, comprised of leaders of national apex organizations, is an example of a national committee led by civil society.

*Meetings, conferences and special events*

64. Most of the planned activities for the Year at the regional and national levels will take the form of meetings, conferences and special events. These events are intended to highlight the sharing of good practices, data and research findings as a means of fostering better understanding of how cooperatives operate within the national and regional contexts.

65. In Africa, the Government of the United Republic of Tanzania, in collaboration with the Moshi University College of Cooperative and Business Studies, plans to organize a conference in September 2011 entitled “International cooperative research conference for Africa”, intended to raise the visibility of cooperative-focused research in Africa, as well as to promote commemoration of the Year. The Government will also host national workshops on cooperative enterprise during the International Day of Cooperatives and International Credit Union Day 2012, and will hold sessions to sensitize the media and editorial staff to cooperatives and cooperative issues. The Government of Togo is proposing an African head of State summit on cooperatives, to be held in Lome in January 2012.

66. In Asia, Mongolia, the principal sponsor of resolution 64/136, will observe the Year through its overall plan of action, which consists of 30 action plans, among them plans to organize exhibitions on cooperatives, organize a campaign entitled “One province — two brands” to raise awareness of cooperatives, and develop public-private partnerships to promote cooperatives. Singapore will host an academic conference to promote awareness of cooperatives in tertiary educational institutions and among their students. China will host a seminar on specialized cooperatives and a meeting of cooperative leaders from Brazil, China, India, the Russian Federation and South Africa. In India, the National Cooperative Union will organize the sixteenth Indian Cooperative Congress with the participation of cooperatives from all over India and the world, as well as a conference on the inclusion of education on cooperative principles and practices in school curricula.

The Union will also work with FAO country offices, or the FAO Regional Office for Asia and the Pacific, to host an international conference on food security and climate change and the role of cooperatives. In addition, they will host a number of leadership development programmes, as well as training programmes for women and youth on various income-generating activities and self-employment opportunities.

67. In Europe, during the second half of 2012, Cyprus, in cooperation with the European Union, will organize a conference on the promotion of European cooperative societies and other issues on cooperatives of interest to European Union member States. Malta is planning a national conference with possible international participation. In the Republic of Moldova, the apex organization plans two international conferences: “Cooperatives without borders” and “Cooperatives: equitable, sustainable and social development opportunities”. The organization will also host seminars and workshops on the formulation and revision of legislation, policies and regulations applicable to cooperatives.

68. In Latin America, Panama has worked with the national apex organization, IPACCOOP, to plan a national cooperative congress to discuss and generate recommendations to Government and cooperative structures on issues of interest to all stakeholders. The Government is also providing partial funding and logistical support to three international cooperative meetings: a meeting of the International Cooperative Alliance (for the Americas), a meeting of the Confederation of Caribbean, Central and South American Cooperatives and a meeting of the coordination mechanism for Latin American cooperatives.

69. In Australia the national committee has organized a national chief executive officers cooperative key issues summit, a national Conference and trade show, inaugural social and cooperative business awards, and other local conferences and seminars.

70. Cooperatives, academia and other civil society organizations have organized conferences at the regional and international levels during 2012 as part of the observance and celebration of the Year. The list of global conferences and other events are on the International Year of Cooperatives website: <http://social.un.org/coopsyear/>.

#### *Outreach and promotional materials*

71. As at the international level, many responding Governments and apex organizations have campaigns focused on the production and dissemination of outreach and promotional materials. Planned activities in this category include printing informational brochures on the cooperative business model and its contributions to development, as well as the development of posters and T-shirts bearing the slogan of the Year. A number of Member States will also produce radio programmes and television documentaries on cooperatives and promote print media coverage in local and national newspapers and magazines.

72. The Government of Singapore will produce and print a commemorative stamp series and a multimedia DVD and will host a short film on the Year, a photography exhibition and a contest to engage the interest of young people and to promote greater awareness of how cooperative enterprises make a difference in society.

73. The Australian steering committee will produce promotional postcards publicizing the contribution of the Australian cooperative movement to the national

economy, create a website to coordinate a national calendar of events and organize a national public awareness campaign.

*Research and data collection initiatives*

74. Member States and cooperative organizations plan to conduct research and data collection initiatives, which will create databases incorporating past and present data on cooperatives, prepare questionnaires for data collection, and collect data on issues affecting cooperatives.

75. The Government of Turkey is currently compiling a cooperative strategy document and action plan, which will emphasize the importance of cooperatives in Turkey, the expected performance of cooperatives and their contribution to the improvement of people's welfare.

76. Panama intends to conduct research and disseminate the findings of a study of cooperative subsectors, including, but not limited to, the contribution that each subsector is making to the economic, social and cultural development of its members and the local and national community. Research will also be done on the contribution of cooperatives to food security, generation of employment, access to banking services, provision of housing, and poverty eradication. Studies will also be conducted on gender equity within cooperatives and the contribution of cooperatives to environmental protection and the preservation of national renewable resources.

77. The Australian steering committee will support two research projects: "Sustainable cooperative enterprise", which is an investigation into the factors influencing the sustainability and competitiveness of cooperative enterprises and "Advancing the cooperative movement in Australia and Italy", a research project to explore the contribution that cooperatives have made to social and economic life in the two countries.

### **C. Action beyond 2012**

78. Strengthening cooperatives for the benefit of their members, constituencies and communities worldwide requires long-term and sustained effort. As such, there is growing support from cooperatives, academia and other relevant stakeholders to consider developing a road map or plan of action for the promotion of cooperatives beyond the International Year of Cooperatives. This vision would seek to build upon existing mandates to ensure a focused and effective follow-up to the activities of the Year in 2012.

## **VI. Conclusions and recommendations**

**79. Cooperatives have a distinctive contribution to make to sustainable development, especially with regard to the social and economic pillars thereof. Their member-driven nature roots them in the fabric of the communities in which they provide their services, leading to the development of enterprises that are aligned with the social, cultural and economic needs and vision of those communities. Promoting greater awareness and understanding of cooperative enterprises, and their direct and indirect benefits, is a positive step in furthering inclusive sustainable development. Therefore, special attention**

should be given not only to strengthening the internal capacities of cooperatives themselves but also to the necessary balance of a supportive regulatory framework, informed by empirical research and valid and reliable data.

80. Recognizing and supporting the efforts devoted to the International Year of Cooperatives, and respecting the cooperative values of autonomy and member empowerment, the General Assembly may wish to consider the following recommendations and invite Governments and international organizations, in partnership with cooperatives and cooperative organizations, to:

(a) Sustain efforts to generate public awareness of the distinct advantages and strengths of cooperatives and cooperative values, especially member empowerment, in order to foster the creation of cooperatives in new, emerging or traditionally underserved areas;

(b) Focus support on cooperatives as sustainable and successful business enterprises that contribute directly to employment generation, poverty reduction and social protection, across a variety of economic sectors in urban and rural areas;

(c) Promote the growth of financial cooperatives in order to attain the goal of inclusive finance by providing access to financial services for all, specifically by adopting policies that expand the span and scope of financial cooperatives and credit unions through appropriate incentives in tax structures and access to services and markets;

(d) Promote the growth of agricultural cooperatives in order to attain the goal of food security by cultivating comprehensive growth in the agricultural sector, specifically by improving financing options, sustainable production techniques, investments in rural infrastructure and irrigation, marketing mechanisms and the participation of women;

(e) Intensify and expand the availability and accessibility of research on the operations and contribution of cooperatives, and establish methodologies for the collection and dissemination of comparable global data and the good practices of cooperative enterprises, in collaboration with all stakeholders;

(f) Review and improve legislation on cooperatives and State regulatory capacity, especially by establishing a level playing field for cooperatives as compared with other enterprises, in order to provide an ever more supportive and enabling environment for cooperative formation and participation in national development efforts.