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STRENGTHENING PARTNERSHIP
BETWEEN
CO-OPERATIVES IN ASIA AND CANADA

A STATUS REPORT

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A Joint Endeavour of
Development International Desjardins (DID)
And
Canadian Co-operative Association

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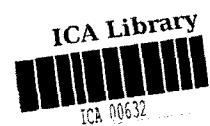
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INTRODUCTION

At the request of the CIDA Asia Branch, the Canadian Co-operative Association (CCA) and Développement International Desjardins (DID) presented an information session entitled "Co-operatives, Globalization and Asia" in Ottawa on May 21, 1996. The purpose of the session was to highlight the work of the two organizations with co-operatives in Asia. At the close of the session, CIDA, DID and CCA decided to undertake, in collaboration with the International Co-operative Alliance Regional Office for Asia & the Pacific (ICA-ROAP), an in-depth consultative process that would serve to identify ways and means co-operatives can more fully realize their potential as a catalyst for social and economic development. The consultative process was also expected to enrich CIDA's thinking about how co-operatives can contribute to meeting poverty reduction objectives, through private sector development, delivery of micro-finance and addressing basic human needs.

At that time, much of Asia was experiencing dynamic economic growth. Liberalized trade, massive inflows of capital, and global information technology had brought wealth. But economic disparities between nations and between the rich and poor within nations widened. Co-operatives had made significant advances in helping the poor and low-income people improve their living standards, but poverty was still a major problem. Now, a number of countries in the region are experiencing acute economic crises and social dislocation. This dramatic change makes it all the more pertinent to explore the 'co-operative difference' for Asia.

Canada, too, is undergoing change. Significant reductions in public sector spending has erased, at least temporarily, budget deficits at most levels of government. But the restructuring of health, education and other social services in the wake of spending cuts is far from complete. Experts assure us that the Canadian economy is fundamentally sound, but the Asian and now global financial crisis is having a direct impact on Canada's traditional exports. Agriculture and forestry sectors are in severe difficulty. Pockets of poverty also persist in parts of the country with few or exhausted natural resources, where the evolution in trade and technology have left communities and whole regions in an economic hinterland. According to the latest United Nations Human Development Report, one in eight Canadians live below the poverty line.

There is room to question the status of the co-operative sector in Canada. Some critics, even within the co-operative movement, believe that the economic success of Canadian co-operatives has been achieved at the expense of the 'co-op character'. In this view, co-ops are becoming more and more like corporate enterprises as they strive to compete in rapidly changing markets. This tendency will intensify, goes the argument, since co-operatives have significant market shares in a number of sectors that are now under pressure. Still others see great opportunities in the current economic and social shake up for a new wave of co-op development.

The agencies collaborating in the study are committed to fully explore to test and challenge the co-operative experience, to present a balanced account that documents the successes and unique contribution of co-operative organizations, as well as their failures and limitations.

This document is a resume of information gathered through documentary research, interviews with nearly thirty co-operative leaders, academics and analysts, and five focus group discussions (two with Quebec-based co-ops, two with CCA members, and one with CIDA representatives). Its purpose is to inform reflection, stimulate discussion, and enrich our common understanding of co-operatives' potential as a significant tool for development.

1. FIRST PRINCIPLES

For those better acquainted with the individual and corporate models of entrepreneurship on the one hand, or not-for profit service-providing non-governmental organizations on the other hand, co-operatives are a strange lot. Even for those who are members of, or are involved regularly with, co-operatives, it is worthwhile to review the definition and nature of co-operatives.

The ICA "Statement on Co-operative Identity" defines a co-operative 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". A co-operative is a collective enterprise. Its mission is to create surplus value for its members and their community. Co-operatives are called on to embrace a number of values, such as "self-help, self-responsibility, democracy, equality, equity and solidarity". They are expected to exemplify honesty, openness, social responsibility and caring for others. There are seven universally accepted co-operative principles, or guidelines, by which co-operatives are expected put these values into practice.

Voluntary and Open Membership : Co-operatives are normally open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control : Co-operatives are democratic organizations whose members are entitled to actively participate in setting their policies and making decisions. At the level of individual co-operatives, members have equal voting rights (one member, one vote), while second- and third-tier co-operative organizations are governed by democratically elected representative bodies.

Member Economic Participation : Member investment constitutes a co-operative's capital base, which is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Co-ops use financial surpluses (profits) to make productive investments, set up reserves, pay

patronage refunds to members (in proportion to their transactions with the co-operative), and support any other activities approved by the membership.

Autonomy and Independence : Co-operatives are autonomous, self-help organizations controlled by their members. When they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that maintain co-operative autonomy.

Education, Training and Information : Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of the co-operative. They inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation.

Co-operation among Co-operatives : Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community : Co-operatives work for the sustainable development of their communities through policies approved by their members.

2. CO-OPERATIVE GENESIS

Co-operatives were born in Europe during the middle of the industrial revolution, created and managed by and for poor laborers, with the aim of improving their living conditions. The co-operative idea was first applied in Canada among rural populations involved in both agriculture and forestry. From its early beginnings in the 19th century to the 1960s, the development of co-operatives in Quebec was a largely a rural phenomenon initiated by the elite (rather than a popular movement) and led by nationalists who wanted to strengthen the economic base of French Canadians. The Catholic Church was also a major promoter of co-operatives, with the province-wide implementation of caisses populaires coming as a result of a close association with the local clergy in each parish. Since the mid-1960s, however, the role of the Church in the social sectors has been replaced by that of the government. Emerging co-op sectors are more urban and grassroots, inspired by the practical problems faced by specific groups (e.g. food, urban housing, work, ecology, social services).

Co-operatives in English-speaking Canada also developed in response to economic and social conditions of the time. On the prairies, farmers first explored co-operative options to counter exploitation through the grain marketing system in the early years of this century. That effort culminated in the formation of the Wheat Pools in the 1920's. In the east, the Antigonish Movement fostered a range of co-operatives to help impoverished farmers break the cycle of exploitation by marketers and suppliers that had come to dominate their existence. Drawing inspiration from initiatives in the United States and Quebec, the Antigonish Movement was instrumental in introducing the credit union

movement across Canada in the 1930's. In later years the co-operative model has been successfully applied to housing, health care, child care, funeral and ambulance services, and to worker-owned enterprises providing stable, local employment in forestry and other sectors.

The history of Canada's co-operative system demonstrates that difficult economic conditions favor the creation of co-operatives. Snippets of that history have fed two popular, but distorted images of the origin and nature of co-operatives.

Co-ops are often seen as poor cousins to the real private sector, a business patched together to serve the once and/or always poor. This image, often present in the development community, identifies the co-operative model with a primarily social mission. This is explained by the observation that marginalized, vulnerable, impoverished groups may have no other option but to join together—or starve separately. According to this view, community solidarity is a stronger motivation for co-operative formation than economic considerations. This image has been reinforced lately by the prominence given to the co-op model for activities in the social economy, where it's very handy to fill in the gaps in social services to the poorer classes. In this view, co-ops muddle along doing something worthwhile but not all that profitable anyway.

On the other hand, eminently successful co-operative enterprises are disparaged for having lost the social commitment of their humble origins. A 'true co-operative', it is presumed, cannot honestly thrive in the 'real economy' because it lacks the managerial qualities necessary to compete successfully in flourishing markets. Mature co-operatives that develop strong management and business competitiveness are questioned about the strength of their social commitment. With heightened attention on micro-finance among development agencies, some development practitioners taken with this image of the co-operative model dismiss it as inadequate to reach the really poor.

Not surprisingly, taken together these images create a paradox: a co-operative should only operate on the margins of the economy; if it succeeds in the main ring it must not be a true co-op.

Within this paradox lies the profound duality of the co-operative model. Co-operative leaders interviewed during this consultation spoke with conviction that the economic and social aspects of co-operatives are inseparable. Both economic and social factors are critical for the creation and success of co-operatives. Dualities pervade the co-operative experience. Beneficiaries are also owners. It is a business with a concern for community. Democratic decision making is compatible with management efficiency. Economic reality reinforces social commitment. Let us thread our way through this paradox.

Co-operatives develop around an economic opportunity. The co-operative model is one way people choose to exploit that opportunity.

One type of economic opportunity is the 'market weakness', where collective action is one means people have of acting in a market that is hostile or indifferent to them. Many of the giant agro-food co-operatives, for example, developed out of farmers' interest in bettering the farm gate price through group action in marketing and/or processing. Financial co-operatives throughout Canada have succeeded by filling a need for financial services in communities and situations where chartered banks could not or would not go. Prairie farmers frustrated with the position of the farmer in a grain marketing system exploited by the Winnipeg Grain Exchange formed the three wheat pools in the 1920's. Energy co-ops in the Prairie provinces are another example of collective action to provide common access to technology otherwise unavailable.

Seizing an economic opportunity can also mean 'escaping economic dependence'. Co-operative action means that there are greater benefits to each member than if they acted alone. The origins of the successful Fédération des coopérative de Nouveau Québec can be found in the feelings among Inuit Peoples of exploitation at the hands of the Hudson Bay Company. Localized collective efforts to reduce the price of inputs and consumer goods have grown into huge regional multi-service co-operative organizations.

Finally, an economic opportunity may be a 'niche in the social economy'. New service needs arise that neither the public nor the private corporate sectors meet. Where private services are available, many people can't afford them. Here we find categorized co-ops in housing, home care, childcare, wholesale buying, workers, and schools.

The notion of economic opportunity also means that co-ops do not arise among the most destitute. Contrary to a popular misconception, for example, Alphonse Desjardins organized among the petit bourgeois who had little access to English-dominated financial services. Potential co-operators have some product, service or other resource to contribute to the common cause. Co-operatives don't solve problems of employability, but give ordinary people a tool they can use to express their potential as entrepreneurs. The goal of economic independence strengthens the conviction that people can take control of economic factors that affect them. As one co-operative leader put it, „Co-operatives are a wager that people can become protagonists in their own development.

Favorable social forces determine that the search for an appropriate way to organize around an economic opportunity turns to the co-operative model.

Co-operatives come into being when people feel a shared need or interest and believe that their individual goals can be better achieved through collective action. The co-operative model is attractive as a source of collective identity, a feeling of belonging. Co-operatives are often an expression of 'community solidarity'. The Desjardins approach to developing a network of caisses in Montreal, for example, was built on the notion of the 'neighborhood' as the unit around which people can organize. In most rural and older urban areas, the caisses are closely associated with the local parish, and often bear the same name. Co-operative funeral services are a rapidly developing sector not only as a reaction to acquisitions by American firms, but as an expression of neighborhood identity

(sentiment de quartier). Many of the co-operative leaders met for this research grew up in co-operatives, showing the importance of co-operatives as part of the social fabric and the socialization process in many Canadian communities.

The roots of favorable social forces are found in cultural values that favor the co-operative model. There is no better expression of these values than the Universal Co-operative Principles: self-help, self-responsibility, democracy, equality, equity and solidarity. From these flow an openness to shared authority, collective action, economic democracy, and the redistribution of wealth.

The mobilization that precedes the creation of a co-operative is often interpreted as an expression of a political will to organize collectively. In fact, collaboration between co-operative organizers and political organizers is not uncommon; and co-operatives do occasionally become active in political debates on specific issues and make common front with activist organizations. But economic and political interests who perceive any collective action as potentially destabilizing occasionally lump co-operatives with political militants.

Co-operative leaders interviewed for this study are eager to note that co-operatives have historically been created in response to an unfavorable economic and social situation, but that they differ fundamentally from organizations that simply protest or call on someone else to redress the situation. Co-operatives arise first and foremost from a profound commitment to self-help, and not from a reflex for political vindication. In similar fashion, the co-operative model is seen as a practical response to a given situation, and not an object of religious devotion, the answer to all ills in all contexts.

For an openness to co-operative action to take form as a real co-operative, it is essential that the people organizing together are able to fashion the 'co-operative model' to their social context. In fact, the imaginative use of the cooperative model is a key to the successful launching of a co-operative. We can see this today in the emergence of 'solidarity co-operatives' in health care, where the common purpose is no longer identified by a common primary role (producer, consumer, worker), but by a common interest (health professionals, beneficiaries of care, interested third party investors).

The image of co-operatives in many developing countries faces a different problem. Particularly in Asia, the co-operative movement in most countries evolved from people-sponsored co-ops, to state-directed and controlled co-ops acting as instruments of government policy. The word 'co-operative' is often associated with innumerable development schemes sponsored by benevolent (and otherwise) national governments. The image of the co-operative model is tarnished by its association with, and usurpation by governments.

Governments give high priority to such objectives as food security, poverty alleviation, increasing agricultural productivity and ensuring social justice. Co-operatives are often a key element in development strategies, especially for the rural-agricultural sector. The

classic rural development strategy involves the rapid creation of 'co-operatives' among target populations to rationalize the delivery of incentives and services: massive provision of cheap credit, provision of highly subsidized inputs, direct marketing support or price control mechanisms, and direct management of co-operative affairs by government or parastatal staff. Thus, many government agencies promote co-operative formation, actively 'creating' co-operatives that lack the shared vision of co-operative principles, often at odds with, or at the very least beyond the control of, the government's own co-operative authorities.

Multi-lateral and bilateral funding agencies who exert substantial influence over policy formulation also play a major role in this unhealthy dynamic. Many of these agencies nurture misconceptions about co-operatives because of their experiences with government-sponsored 'co-operative' structures. The result is a paradox of : 1) the perpetuation of donor-supported government programs using overnight co-ops as conduits; and 2) a growing mistrust of co-operatives in the face of the cyclical 'boom and bust' of co-operative systems created under the very government programs these agencies support.

Sadly, this approach often works to weaken the resolve of the intended beneficiary populations to help themselves. Many studies have demonstrated that the massive provision of cheap government credit discourages savings which is central to co-operative self-reliance and sustainable credit systems. The history of agricultural development schemes demonstrates that subsidies and unbridled market support creates dependency and promotes inefficiencies. Often the objectives and schedules of governments and donors do not match the absorptive capacity of true member-based co-operatives. There is a tendency to fast track development efforts move too quickly to massive replication ^ and to be impatient with long gestating but proven processes in co-operative formation. Direct government intervention in co-operative affairs to accelerate these processes actually stunts the self-sustaining capacities promoted in universal co-operative principles and severely limits the co-operatives' ability to contribute to either economic or social goals.

3. CO-OPERATIVES MEAN BUSINESS

Canadians hold more than 14.5 million memberships in co-operatives, credit unions and caisses populaires. The Canadian co-operative system employs nearly 150,000 people, making it one of Canada's largest employers. It is evident that co-operative membership is a vital part of the economic and social life of many Canadians.

Co-operative enterprises have a significant market share in a number of fields where they are present. The 7,870 co-operative associations reporting in 1995 accounted for \$33.7 billion in business volume and \$156 billion in assets. In 1997, 17 co-ops were among the Financial Post's Top 500 non-financial companies. Of the Top 100 financial companies, 28 were co-ops.

Agricultural co-operatives play a major role in the Canadian economy. In 1995, approximately 40% of total farm cash receipts were handled by co-operatives. On the input side, they account for 36% of fertilizers and agricultural chemicals, 27% of feed and 19% of seed sold in Canada.

The three Prairie Wheat Pools handle over 59% of the grains and oilseeds grown in the four western provinces. In Quebec, the Coopérative Fédérée du Québec has the largest share of grain marketing in the province with 35% of the market.

In 1995, co-ops marketed 57% of the milk produced by Canadian farmers. Co-ops hold at least 20% of the market in Ontario, while Quebec's six dairy co-ops, led by Agropur, control 80% of the industrial milk market and about 50% of fluid milk sales in the province.

Co-operatives handle about 54% of the pork and 25% of all meat processed in Quebec.

Co-ops in Alberta, British Columbia, and Quebec dominate the poultry and egg markets. Co-ops count for about 50% of the chicken market and 40% of the egg market in Nova Scotia.

Almost 20% of the fruit and vegetables marketed in Quebec pass through co-operative hands. Co-ops associated with the BC Tree Fruit Marketing Ltd. carry on the largest co-operative fruit and vegetable marketing activity in Canada. Norfolk Fruit Growers in Ontario and Scotian Gold in Nova Scotia have important shares of their regional markets.

Quebec's maple syrup co-ops market 35% of world maple product production, worth \$24.6 million in sales in 1995.

Financial co-ops are one of the great co-operative success stories in Canada. In 1997, six financial co-ops ranked among the Financial Post's Top 50 Financial Institutions. Credit unions and caisses populaires boast more than 10 million members, \$120 billion in assets and savings deposits of \$81 billion.

The Mouvement Desjardins is the largest financial co-operative enterprise in Canada. With assets of \$71.53 billion (1997 data), it ranks sixth among Canadian financial institutions. Its 5.1 million members (70% of provincial population) have at their disposal a full range of financial services available in 1,318 caisses. The movement's 1,677 branches are more than the total number of branches of Canada's chartered banks in the province. In 1997, the Mouvement Desjardins controlled 44% of deposits in personal savings accounts, 32% of consumer credit, 40% of mortgage loans, 45% of agricultural credit, 23% of commercial and industrial credit, 19% of life insurance premiums subscribed and 10% of main damages insurance premiums subscribed in Quebec. At the end of 1997, Desjardins employed some 42,400 persons in Quebec alone, more than 20% of the jobs in the financial, insurance and securities sector in the province. It is estimated

that about 1 job in 60 in Quebec is directly or indirectly related to the activities of Desjardins.

The credit union system in English Canada serves some 4.5 million members through 982 local credit unions. With assets of more than \$40 billion (1995 data) and 18,000 employees, it represents a significant financial force. The Vancouver City Savings & Credit Union is the 24th largest financial institution in Canada (1995 data). With \$4.37 billion in assets and 218,000 members, VanCity is by far Canada's largest primary credit union. Earnings in 1995 were nearly \$40 million, an 8.84% return on share equity.

The Co-operators, Service santé du Québec (SSQ), Groupe Desjardins, and the CUMIS Group ^ are among the largest insurance companies in Canada. If one includes the activity of Assurance-vie Desjardins, a wholly-owned corporation of the Fédération Desjardins, the co-operative system holds over \$7.8 billion in assets and more than 10 million policy holders. The Co-operators is one of the largest property and casualty insurers in Canada.

Retail/wholesale co-operatives in the western and maritime provinces are an important part of the economic landscape. The 347 member co-ops of Federated Co-operatives Limited have total annual sales of nearly \$3 billion. Calgary has the largest consumer co-op in North America with nearly 40% of the local retail market. Some 165 co-operatives are members of Co-op Atlantic, with total 1993 sales of over \$454 million.

The co-operative model of business and social organization has been successfully adapted to many products and service needs, such as housing, transportation, school supplies, craft marketing, professional services, employment creation, etc. Co-ops are often launched where the private corporate sector has not found an acceptable rate of return on investment (e.g. energy and communications in sparsely populated areas), or where governments have not provided - or cease to provide ^ services, leaving the field open to private and/or benevolent initiative (e.g. health care, child care).

In a number of countries in Asia, co-operative business activity shows similar pattern to that in Canada. Co-ops have a strong market presence supplying agricultural inputs (including credit) and consumer goods, processing and marketing agricultural products, and providing financial services.

'Co-operative village units' in Indonesia serve nearly 50% of the rural population, and 30% of national population.

With its 452,657 primary societies, a membership of more than 200 million, and working capital of CDN\$ 57.9 billion, the co-operative sector in India is one of the largest in the world. Co-operatives are found in 99% of the villages, where 2 out of 3 households hold memberships. Total co-op assets amount to CDN\$ 48.6 billion, with member savings deposits of CDN\$ 22.1 billion. More than 60% of rural credit is managed through co-ops.

Although only about 8% of the Philippine population is served through co-op membership, co-ops have a significant presence among low income earners, agricultural and informal sector workers.

Asia's 24,500 primary financial co-ops boast of more than 16 million members, hold US\$ 653 billion in savings deposits. Their US\$ 789 billion in assets (including a US\$ 278 billion loan portfolio) make up 7.7% of the total assets of the largest banking institutions in the world.

But Asian "co-operatives are of two general types: those sponsored and controlled by the state, and people-sponsored, member-driven true co-ops." Statistics on Asian co-op business activity masks the fact that the vast majority of that activity is carried out by government-controlled co-ops. With a few notable exceptions (SANASA credit societies in Sri Lanka, NATCCO affiliates in the Philippines), the relatively small size of member-driven co-ops' operations has not allowed them to impact national economic statistics. Nevertheless, they generally maintain themselves in a competitive market on account of the commitment and unity of their membership. Even where government strategies and policies are less than supportive, many co-operatives are coping through sheer perseverance and strict adherence to co-operative principles. At the same time, government-initiated co-operatives generally remain weak and need continued support, or are left to fail as the provision of massive government support proves unsustainable.

4. CO-OPERATIVES IN THE COMMUNITY

The co-operative approach sees people as the principal agents of their own social and economic development. Co-operatives are structures through which individuals can pool scarce resources and energies to achieve goals they have determined for themselves. The co-operative values of self-reliance and self-help „put people first as beneficiaries by first insisting that they be responsible for the actions undertaken for their benefit. Co-ops also insist that people invest in their own development, as put forth in the co-operative principle of 'Member Economic Participation'.

Co-ops build local capacity for management and governance. Through democratic structures and procedures, co-op members are responsible for managing their collective resources in accordance with sound principles of financial and administrative management. The caisses populaires have played an important role training human resources and articulating social responsible financial services in Quebec. In fact, it's difficult to put a figure to the large number of Quebecois et Quebecoises who passed through "l'université Desjardins". In English Canada, some 60,000 people serve on co-operative governing boards. Many bring to the position their own business skills and commitment to community, but the responsibilities of co-operative governance offer many opportunities for ordinary people to acquire the skills and attitudes necessary for such leadership roles.

Democratically elected board members are chosen to guide the co-op enterprise. Leadership does not develop automatically, however, and lack of leadership skills often

threatens the viability of the co-op. When competition and economic conditions demand highly professional management, there is a real risk of exceeding the capacity of a volunteer board to monitor operations and performance. The Mouvement Desjardins, for example, has brought in a significant number of managers from the corporate banking sector over the past two decades in pursuit of greater professionalism in its financial management capacity. One risk in this situation may be the loss of contact between management and the membership, putting the social viability of the co-op in danger. Alternately, the board may favor members' desire for short-term benefits to the detriment of necessary business decisions, putting the financial and economic viability of the co-op in danger.

Beyond their contribution to their members' and communities' economic activity, co-ops also provide needed services that have a social value equivalent to, if not greater than, their economic value. Operating efficiency is an essential fact of continuing business viability, but member-owners may decide to give service the front seat over profits. In financial co-ops this may mean providing very small loans to poorer members, as well as more convenient hours of business for working members. In the interests of maintaining viable communities, networks of retail and agricultural co-ops may maintain stores and offices that generate comparatively lower surpluses, through cross-subsidies within the network. The decision to take these kinds of action is a democratic choice of co-op members, exercising their right to express values through business decisions. While this may make co-operatives a poor investment choice for profit seekers, they are sound investments for individuals who through collective action ^ strive to assure the continuing availability of needed products and services.

Co-operatives are committed to putting their value of social responsibility and caring for others into practice by working for the sustainable development of their communities. One need only think of the role played by housing co-operatives in providing quality, affordable lodging to lower middle class and disadvantaged families. In Saskatchewan, credit unions and housing co-ops have teamed to tackle the problem. VanCity is a leader in supporting local enterprise, community development and environmental recovery in greater Vancouver. A credit unions or caisse populaire provides the only financial service available in some 900 Canadian communities, more than 700 of these in Quebec alone. During 1997, the Mouvement des caisses Desjardins returned more than \$ 100 million to the communities where it is present, through patronage refunds, donations and sponsorships of local organizations.

Finally, wherever the co-operative movement is strong in Canada, co-ops provide human resources and technical services to their communities. Most co-ops furnish meeting space and material support, and channel uncounted hours of volunteer service into their communities. In smaller, more isolated communities, the co-op may be a hub of community life.

5. CO-OPERATIVES AND GOVERNMENT AS PARTNERS IN DEVELOPMENT

The Canadian co-operative sector, both Anglophone and Francophone has a close working relationship with federal and provincial governments. In response to the co-operative sector's request for more attention within the federal cabinet, the federal government in 1984 assigned responsibility for the co-operative sector to the Ministry of Agriculture in 1984. In 1987, the federal government created the Co-operatives Secretariat to help the federal government respond more effectively to the concerns and needs of co-operatives. In addition to advising the government on policies affecting co-operatives and coordinating the implementation of such policies, the Secretariat also gathers co-operative statistics, undertakes data analysis and provides publications such as Co-operatives in Canada, Canadian Co-operatives Resource File and The Top 50 Co-operatives in Canada.

The existence of the Minister's Advisory Committee on Co-operatives (advising the Minister responsible for co-operatives) and an Interdepartmental Committee on Co-operatives also helps to ensure that the federal government has a good understanding of co-operatives' interest and needs. The Interdepartmental Committee is a policy-oriented coordinating group of senior officials in relevant federal government departments and agencies. The Minister's Advisory Committee includes 17 representatives from the Anglophone and Francophone co-operative sectors. The two Presidents of the two national co-operative associations (CCA and CCC) are automatically appointed to the Committee to ensure close linkages are maintained with co-ops across Canada.

Responsibility for co-operatives at the federal level is shared with the Minister of Industry, whose department is responsible for regulation of federal co-operative legislation. The new federal legislation, the Canada Co-operatives Act, proclaimed this year, is a good example of close working relations between government and the co-operative sector. The co-operative sector provided the departmental officials with a draft act, and collaborated closely on the final drafting of the legislation and its passage through Parliament. While there are only about 50 co-operatives incorporated under the federal act, they are among the largest co-operatives in Canada, including Federated Co-operatives Ltd., Co-op Atlantic, Agrifoods International, and the Co-operators Group Ltd. With the new legislation it is expected that there will be an increase in the number of co-operatives seeking to register at the federal level.

Financial co-operatives regulated under the federal Co-operative Credit Associations Act include Credit Union Central of Canada (CUCC) and six of the provincial credit union Centrals. Provincial Centrals are also regulated under their respective provincial statutes. The Office for the Superintendent of Financial Institutions (OSFI) is the regulator for these financial co-operatives, who also deal with the Department of Finance on taxation and financial policy issues, and with the Canadian Payments Association and the Canadian Deposit Insurance Corporation. CUCC and the Centrals are also involved with both

federal Crown Lending agencies (such as the Farm Credit Corporation and the Business Development Bank of Canada) and regional development agencies (such as Western Diversification and the Atlantic Canada Opportunities Agency). The credit union system maintains a good working relationship with the officials in these various departments and bodies.

Provincial governments are also closely involved with the co-operative sector. Most co-operatives are incorporated under provincial or territorial authority. All credit unions are regulated under provincial credit union legislation. In each province a stabilization fund and/or a deposit insurance and guarantee corporation protects the deposits of credit union members. These corporations maintain close contact with their respective provincial regulators.

There is no consistency across the provinces with respect to which department is responsible for co-operatives. The list of responsible departments includes: Small Business and Tourism; Economic and Co-operative Development; Justice; Economic Development; Finance; Human Resources; and Municipal Affairs. In some instances co-operatives operate under specific enabling legislation (e.g., Saskatchewan Wheat Pool, Alberta Wheat Pool), but in most cases co-operative fall under general co-operative statutes.

The degree of supervision required and the amount of assistance provided to co-operatives varies greatly from province to province. In some provinces the only assistance is incorporation and supervision of amalgamations and dissolution. In other provinces, dedicated staff resources and materials are available to help with start ups and incorporation. However, in Quebec and Saskatchewan (and to a lesser extent, Alberta and British Columbia), provincial governments have been particularly supportive of the co-operative sector. This support has included ministries or departments dedicated to co-op affairs; technical assistance for co-op promotion and institutional strengthening; risk capital and investment guarantee schemes; and on-going dialogue on policy and legislation. The strength, diversity and autonomy of the co-op sector in these provinces is testimony to the feasibility of a close working relationship between co-ops and provincial governments.

The relationship between the Canadian co-operative sector and the state is much different than that of its Asian counterpart. Co-operatives in Asia (with the exception of Japan) were long treated as an adjunct of the public sector. With the introduction of economic reforms to strengthen market economies, national governments have moved to initiate policy reforms to create a conducive environment for private sector development, including responsive legal reforms to empower co-ops to break their dependency on the Government. What is clearly emerging is the vibrant and self-sustained Growth of private co-operatives, no doubt enhanced by an improved policy environment.

But while Asian governments appear to be moving away from an interventionist stance to a more supportive (and passive) role in co-operative development, many continue to

pursue inappropriate development strategies and programs. Except in Singapore and the Philippines, ministries or agencies in charge of co-operatives are large bureaucracies with the resources to penetrate at least to intermediate levels. It will be difficult in the medium term to expect a reduction in government's pervasive presence since co-operative promoting bureaucracies will attempt to justify their continued existence and maintain conventional views of the role of government

Nevertheless, there are indications that some Asian governments may be ambivalent about having a strong co-operative movement. One finds 1) instances of private-led co-operatives being officially ignored or refused registration, 2) the strong presence even politicization of apex organizations, apparently to ensure adherence to a political agenda, and 3) continued government intervention in co-operative affairs varying from direct management, to a national co-operative strategy wherein political imperatives prevail over universal co-operative principles.

6. CANADA'S ROLE IN THE DEVELOPMENT OF CO-OPERATIVES IN ASIA

In both philosophy and practice, the co-operative sector is a strong proponent of open public policy discourse, the value of participatory democracy, and the strength of co-operation and partnerships. These principles and the practical applications of the co-operative model are an integral part of Canada's cultural fabric. An important expression of co-operatives' compatibility with, and value for, Canadian foreign policy is their partnership with government for the promotion and strengthening of co-operatives in developing countries. Strong co-operative systems are seen to support sustainable development, reduce poverty and contribute to a more secure, equitable and prosperous world.

Federal government support to co-operative development on the international scene is channeled through CIDA. CIDA supports co-operative development through four mechanisms.

CIDA contributions to multilateral agencies, such as the ILO, UN agencies, and the World Bank, finance actions which may include the development of co-operatives. Specific actions supported through this mechanism are difficult to trace, and therefore difficult to evaluate in terms of their scope, effectiveness and impact.

Since 1984, NGO Division has financed 139 projects classified under various sectors of co-operative activity. More than thirty Canadian NGOs have proposed and carried out projects with co-operatives for a total value of \$ 17.8 million. More than one-fourth of total NGO Division funding since 1984 for work with co-operatives (24 projects, worth \$ 4,990,800) is current programming.

Regional Branches contract with co-operative organizations as executing agencies for bilateral projects involving the co-operative sector. Asia Branch currently has four contracts underway with CCA, for a total value of \$ 27.3 million, and four contracts with

DID, for a total value of \$ 9.4 million. (CCA and DID are jointly responsible for carrying out one project in the Philippines.)

Funding through the Co-operatives, Unions and Professional Associations Program (CUPA) of the Institutional Co-operation Division (ICD) originated in the creation of a "Co-operative Program" in 1980. CUPA funding is channeled through Contribution Agreements intended to facilitate the use of the resources of Canadian co-operatives for the development of co-operatives in CIDA's partner countries. CUPA works with three institutions, including CCA, DID and the Société de coopération pour le développement international (SOCODEVI). Only CCA and DID are active in Asia, where both are involved with a number of regional co-operative organizations, such as the ICA-BROAP and the Asia Confederation of Credit Unions (ACCU).

For the fiscal years 1991-1998, CUPA contributions through its three partner co-operative organizations total \$ 92,860,425, of which \$ 35,013,271 through CCA and \$ 39,316,298 through DID. CUPA commitments for 1998-1999 total \$ 3,346,800 to CCA and \$ 4,084,012 to DID. On a per year basis, CUPA and bilateral funding through the co-operative organizations are approximately equal.

There appears to be little coordination among CIDA's various mechanisms that support co-operative development, since they approve co-operative development projects without necessarily consulting or informing one another. Various divisions approve co-operative support projects or components where they appear to serve CIDA's priorities, and are coherent with regional and/or country policy frameworks and strategies. CIDA's current coding and classifying guidelines tend to slot co-operative development under the 'Private sector development' priority.

In spite of CIDA's considerable support for co-operative development and the variety of mechanisms through which that support is expressed, CIDA does not have a specific policy or strategy for promoting co-operative development. It may be argued that such a policy is unnecessary, that CIDA's partners are capable of defining the orientation and evolution of Canadian support for co-operative development. Indeed, CIDA's funding mechanisms lend themselves to this approach. The orientations of CIDA NGO Division funding, for example, are determined by the Division's mandate as a responsive mechanism for initiatives originating in the Canadian NGO community. Interestingly, more NGO Division funding for projects with co-operatives has been channeled through relief organizations than through co-operative organizations. Co-operative organizations use CUPA program funds to initiate partnerships, explore new opportunities or approaches, and respond to timely issues. Bilateral projects often grow out of successful program funded projects. Gender-focused initiatives may be grafted onto bilateral or program projects, but financed through targeted GAD mechanisms.

This situation demonstrates the considerable confidence CIDA has in the capacity of its co-operative partners. For a number of CIDA officers who work closely with co-op partners, the co-operative movement is seen to have a unique potential because of its

values, principles, and track record in both economic and social spheres ^ to help societies around the world pursue the twin goals of economic development and social justice. But this situation does beg the question of what level of expertise with the application of the co-operative model may be ideal within CIDA. It may in fact be argued that co-operative expertise is as pertinent as, say, micro-finance, private (corporate) enterprise and gender expertise.

Despite CIDA's solid support for co-operative development in the past and indications that it will continue to do so, some are asking if CIDA is taking full advantage of the co-operative model in its work. Some may ask if CIDA has a comprehensive vision of what it is supporting in the way of co-operative development. In fact, one purpose of the current research and consultative effort ^ of which this document is but one output ^ is to explore the co-operative model as a strategic vehicle for Canadian development assistance.

For these reasons, it is important to look more closely at the orientations and strategies of CIDA's principal co-operative partners in Asia.

CCA has been working in Asia since the formal establishment of its International Development Department in the mid-1970s. Since that time CCA has worked in eleven countries, and is currently present in China, India, Indonesia, Nepal, Philippines, Sri Lanka, and Thailand. CCA's Asian regional strategy is articulated in four points:

to maintain a network of regional partners through a variety of means, including an annual partners' forum, continuing collaboration in project/program development, as well as business ventures; to create, through development programming with partners, co-op models for people and communities to replicate at low cost using their own resources;

to respond, using Canadian technology and skills, to the expressed needs of the region for assistance in the areas of co-op/community enterprises, co-op financing/banking, co-op agribusiness, and co-op housing;

to collaborate with regional organizations, including the ICA, the ACCU, and United Nations agencies concerned with co-operatives, in forums and action aimed at furthering the interests of co-operatives in the region.

DID is currently involved in projects in 27 different countries on four continents, supporting more than 15 co-operative financial networks. Three of these are in Asia: China, Vietnam, and the Philippines. With the aim of reducing poverty and ensuring the sustainable development of economically underprivileged populations in developing countries and in transition economies, DID focuses its interventions in the field of co-operative financial services and support to income generating initiatives.

DID is committed to the security of the financial resources entrusted to the co-operative financial systems with whom it works, and focuses on building its partners' capacity through training for supervision and surveillance, as well as setting up control and

information systems and Deposit Guarantee Funds. DID is acutely aware of the significant need to strengthen the supervision and surveillance functions in financial institutions in many Asian countries. DID is committed to the security of the financial resources entrusted to the co-operative financial systems with whom it works, and focuses on building its partners' capacity through training for supervision and surveillance, as well as setting up control and information systems and Deposit Guarantee Funds. More specifically, DID emphasizes actions in the following areas:

support to savings and credit institutions for network start-up, consolidation and reengineering;

management information systems (MIS) and banking software development; human resource development;

legal framework;

institutional strengthening of regional unions and national federations; micro-enterprise support and financing, especially helping existing financial institutions to reach low and middle income clientele.

7. RESULTS OF CIDA'S SUPPORT TO CO-OPERATIVE DEVELOPMENT

The most recent program evaluation of CUPA funding for co-operative institutions, institutional evaluations of DID and CCA, project evaluations and other targeted studies have amply documented the results of CIDA's investment in co-operative development.

Results for beneficiary populations

Projects in various productive sectors (e.g. agriculture, fisheries, crafts, other income-generating activities) have been found to support the establishment of viable co-op enterprises, or to improve production and marketing efficiency in existing co-ops. This in turn has contributed to improved socio-economic conditions for members. Access to credit provided through savings & credit co-ops is generally seen to increase the income of grassroots members, or at least maintain their purchasing power in inflationary conditions. Based on these experiences, CIDA's policy on poverty reduction positions co-operatives among the private sector actors who can help reduce poverty by generating income and employment growth.

Co-op members, as both beneficiaries and owners, have a right to participate in the management of their co-op. In a number of Canada's developing country partners, membership in a co-operative is a unique opportunity for persons to experience democratic processes. Because of their voluntary membership and economic orientation, co-operatives attract many persons who would not otherwise participate in other civil society organizations such as unions and NGOs.

There have been positive results for women, present in most co-operative development projects as both beneficiaries and implementing agency staff. Benefits include i) increased awareness by women of their ability to play a role in social and economic decision-making, ii) recognition by men of the importance of women's contribution in the social and economic spheres, iii) increased involvement by women in management, boards of directors and technical areas (e.g. agriculture, handcrafts), and iv) greater access by women to productive and commercial credit. While such results are significant in some cases, most projects show only marginal benefits for women or an else inability to measure results. Although, women comprise the majority of co-operative membership in the Asia region, their participation in leadership and decision-making bodies is low. It has been found that any co-operative, whether mixed or women-exclusive, will attract poor women only when there is careful targeting and substantial support to facilitate their participation.

Results for developing-country co-operative organizations

Canadian support contributes to a significant increase in the technical management capacity of most partner co-operative organizations and in their ability to provide products and services. The most conclusive results have been found with first-tier (primary) co-ops, where appropriate technical assistance and support for training have improved management to the point that many have achieved profitability.

The greatest improvement in financial self-sufficiency is seen at the first-tier level. Co-ops and their members show increased productivity, increases in sales, increased capitalization, and greater returns paid out to members. At the same time, global market forces are making it every more imperative that co-operatives establish themselves as competitive enterprises able to generate a surplus. Like other enterprise models, non-viable co-ops have been liquidated; others who cannot compete are likely to close.

Canadian support has enabled growth in co-op networks as they increase their capacity to provide appropriate technical services to their members. In the case of financial co-ops, both direct and indirect support (i.e., through second- and/or third tier coops) has enabled networks of first-tier co-ops to reach financial equilibrium and expand. Second- and third-tier co-ops (federations, confederations and other apex bodies) show some improvement in financial self-sufficiency, but many still struggle to efficiently deliver needed services to their member co-ops. Those who cannot generate adequate revenue to achieve at least financial equilibrium in the mid-term are in danger of losing Canadian support.

Results for CIDA's institutional partners

CUPA has developed a genuine partnership with the major co-operative institutions involved in international development. They have become competent, specific and diversified non-governmental organizations that enrich and reinforce the contribution of Canada to development. The result has been the emergence and strengthening of

Canadian co-operative institutions with the mission and capacity to promote co-operative development on an international scale.

Selected lessons learned from CIDA experience supporting co-operative Development

It is essential to match the intervention to the situation, with particular emphasis on the selection of partners on the basis of a shared vision, a commitment to and capacity for a long-term relationship, a minimal base of expertise, and an adequate economic opportunity for financial viability. It is also important that projects take full account of the partner's capacity to implement, follow up and evaluate large-scale projects. Project interventions should be conceived so as to offer the best chances of long term, sustainable institutional development. In that context, there may be interest that CIDA establish an 'intermediate vehicle' between the financial limits of program funding and the financial thresholds of bilateral projects which would offer more flexibility in tailoring projects to the absorptive capacity of developing country co-operative partners.

The negative image of co-operatives that prevails [in some development agencies] stems largely from the clear failure of state-operated co-operatives in developing countries. Co-operatives can play a significant role in development strategies if they are allowed to focus on providing economic and social benefits to their members, rather than serving as instruments for implementing national development strategies. The success of the co-operative movement in developing countries is closely tied to the establishment of a genuine partnership between the co-operatives and the government, based on recognition of the independence and autonomy of the co-operative movement. The Canadian experience is particularly positive in this regard.

One of the principal means by which co-operatives impact poverty is by assisting economically disadvantaged or exploited people to develop and/or increase their productive capacity and control over economic factors. They are a valuable tool for an emerging middle class, low income groups and the informal sector. Co-ops contribute to break the isolation of marginal groups and to strengthen relationships within the community.

8. CO-OPERATIVE DEVELOPMENT AND CIDA PRIORITIES

We have seen in previous chapters that CIDA's significant investment in co-operative development has had positive results. This is not to say that co-op development is fool-proof or easy. In fact, the Canadian experience teaches that the creation of viable co-operatives is a long, difficult process. Nor less has this document sought to convince that "starting a co-op" is an appropriate response to all development problems. The history of Canadian development assistance is littered with failed co-ops, built on the shifting sand of development financing but without a foundation of local commitment and investment. And when a co-op dies, it's not just another business that closes. It is in fact the participatory, grassroots, collective approach to development that wears the loss.

What is being argued, however, is that the co-operative model is a multifaceted development tool whose dual mission exploiting economic opportunity and strengthening communities ^ positions it well to make a unique, valuable and sustainable contribution to growth with equity. It is a tool that must be used with prudence and perspicacity, as well as with patience and conviction. In this the co-op model measures well against the lofty goals of CIDA's development priorities. Let's consider co-op development in the light of four of CIDA's priorities where the co-operative model may be particularly pertinent.

Private sector development

Just as bio-diversity is sound strategy in the natural environment, so entrepreneurial diversity is sound strategy in the business environment. A healthy private sector needs individual entrepreneurs, partnerships, limited liabilities companies and co-operative enterprises. Why? Because the history of the co-operative movement demonstrates that co-ops like other enterprise models ^ develop where there are economic opportunities inefficiently exploited or not exploited at all. Such opportunities may exist because other private enterprise models refuse to exploit them. This is often the case with marginal or scattered populations who are not served by enterprises with a purely profit maximization objective. (The birth of the Mouvement Desjardins is a case in point.) Economic opportunities may also exist because collective entrepreneurship may produce greater overall gain combining economic and social factors than other forms. Usually such gains are realized by eliminating intermediaries, or by accepting a lower economic return on the collective activity in order to maximize social returns. (The vibrant co-op sector in Saskatchewan is a case in point.) It is precisely the co-ops' bridging of economic and social motives that makes them an vital part of a healthy private sector development mix.

But support to co-op development has often been criticized for setting up institutions instead of businesses. An evaluation of the CUPA co-operative program found that Canadian support to apex and second-tier co-operatives had not proved conclusive in regard to the partner organization's ability to become financially self-sufficient in an environment of socio-economic underdevelopment. This conclusion was reconfirmed in a CCA institutional evaluation, which found a number of apex or second-tier organizations have to rely heavily on donor assistance because their base [of primary co-ops] is too fragile to support them.

As justified as these criticisms were in the past, there are signs that the situation is changing dramatically.

The most recent DID institutional evaluation summarizes the forces at work, setting the stage for more effective use of the co-op model in private sector development in the foreseeable future.

" Les règles de jeu concernant la raison d'être et la mission des coopératives sont en voie de subir une transformation majeure, qui risque de modifier fondamentalement le paysage

du secteur □ Dans les pays en voie de développement, nombre de réseaux coopératifs servaient d'abord et avant tout à acheminer des crédits et autres formes de programmes financés par les gouvernements locaux ou des organisations de coopération internationale. Mais avec les ajustements structurels, ainsi que l'emphase grandissante mise sur la prise en charge par le milieu, la valorisation des capacités locales et la promotion de la société civile, le secteur coopératif s'est progressivement détaché de la sphère étatique. Néanmoins, l'attribution d'une vocation essentiellement sociale et politique à la formule coopérative est demeurée très ancrée dans les mentalités et dans la perception des coopératives comme outils de revendication et de contestation de la part des groupes démunis. Or, dans le contexte actuel de globalisation des marchés et de compression des grandes programmes gouvernementaux, la survie-même de nombreuses coopératives est menacée.

" Le modèle coopératif est donc en voie de subir une révision en profondeur. Et la vision qui tend à dominer est celle de la coopérative comme étant, d'abord et avant tout, une entreprise rentable et compétitive, avec tous les modes de gestion moderne que cela implique. Ce changement d'approche ne va pas sans heurt. Les coopératives comportent encore une forte propension au 'militantisme' politique et social. Dans d'autres cas, où les échecs du coopératisme d'état ont été flagrants, les coopératives ont perdu leur crédibilité et la confiance des populations de base. De plus, les transformations impliquées par la restructuration des coopératives en entreprises rentables et compétitives, risque d'entraîner sur leur passage la fermeture d'un grand nombre de coopératives on-viables. "

The message of Canadian co-operative leaders consulted for this study is unequivocal in this regard: co-operatives are only able to generate significant and lasting benefits for their members and their communities by being viable businesses. DID and CCA, as agents of a dynamic Canadian co-operative sector, are committed to promoting efficient private sector actors that are unique in that they also foster economic democracy and social equity.

Co-op development is also criticized because it is seen as taking far too long. In the interest of "showing result" number of enterprises created, number of entrepreneurs launched, benefits seen within the confines of that arbitrary invention, "the project cycle" many development professionals show their impatience with the time and expense of building a co-op. This sentiment should be tempered by three important considerations.

First, we must use an appropriate time horizon. Canadian co-operative experience fully supports the contention that it takes longer to build a co-op than to start up a single proprietorship or a limited liability company. But that same experience also shows that while a co-op is much more difficult to launch than other forms of private enterprise, the life expectancy of co-ops is much longer. Records show that nearly 70% of co-operatives created in Canada are still in operation after ten years, while some 80% of private enterprises created close shop within one year. Such stability is built into the co-op model, largely through the principle of "member economic participation" which makes the capital base of the enterprise inalienable and indivisible. While this principle does create

its own problems (e.g. difficult capitalization from outside sources, disadvantageous conditions for member withdrawal and renewal), profit taking on borrowed capital and the risk of easy bankruptcy that it entails, are not among them. The recent economic history of Asia is rich in lessons about the advantages and disadvantages of the free flow of capital and the bubbles one can blow with other peoples' money. The co-op model of enterprise is fundamentally stable if slow to start off the mark because it is rooted in the community's own resources.

A second consideration is that of the "added value" in building a co-op. What one sees too often is simply the resulting organizational form, while ignoring the intangible products of the process of its creation. Creating a co-op is a fundamentally participatory process: groups of people arguing economics, designing organizational structures and operating procedures, making business plans, mobilizing resources, concretizing networks of solidarity, community self-help and autonomy. The additional effort and time required to build a co-op enterprise is not an unavoidable inefficiency built into the model. The added value of such intense local participation may be difficult to quantify, but development professionals are generally agreed that it is invaluable.

Finally, one must remember that agencies like CIDA are involved in private sector development because it is expected that a strong private sector will generate economic growth which will in turn create sustainable improvement in the lives of the poor and marginalized people of the world. Unlike the stock market and chambers of commerce, agencies like CIDA seek economic development and equity. With all its failings, the co-operative is the only private sector model that integrates this concern in its mission. The co-operative tackles head-on the problem of balancing economic and social imperatives. The difficulties experienced in applying the co-op model at the community level are precisely those encountered by any society that honestly struggles to balance economic growth and social justice. Co-operatives have not solved the problem, but they can and do provide a framework within which people struggle with the problem as it affects their lives. Viable, member-based co-operatives in both developed and developing countries are by vocation socially responsible private sector actors.

Equitable benefits for women from development

The values of self-help, mutual responsibility, equality and equity that are fundamental to the co-operative identity have the potential to facilitate women's economic and social empowerment. A recent review of gender issues in co-operatives in Asia, however, has documented the fact that co-operatives are not immune to the pervasive influence of traditional social attitudes that hinder the participation of women. The review cites research conducted by the Asian Women in Development Co-operative Forum (AWCF) which found that although women comprise the majority of co-operative membership in the region, their participation in the leadership and decision-making bodies of co-operatives is low. In most Asian co-operative movements, women constitute more than 60% of the active membership, yet represent less than 10% of the co-op managers or board members. The ACWF research concludes that co-operatives will not contribute

to women's empowerment unless some fundamental issues such as the examination of power structures, the gender division of labor and other gender issues are tackled.

A study commissioned by CCA of gender integration in six of its partners in India found that the understanding of gender issues varied widely from organization to organization. Training was considered the key to achieving better gender integration. CCA's co-op partners were convinced that change would be more effective if men and women work together, but they were equally concerned that indicators to monitor change in the status of women were insufficient or nonexistent. The study recommended that by recognizing the major variances among organizations and individuals in the process of gender integration, and by carefully analyzing the rationale behind gender programming, agencies supporting co-operative development and their partners could design actions which more effectively produced positive results for women co-operators.

The conclusions of such focused studies are convincing evidence that despite its avowed principles, a co-operative does not automatically offer women more economic and social space. But co-operatives by their principles can be held to a higher standard. The success of co-ops cannot be measured only in terms of total profits, but by the extent to which the full benefits of co-operative membership are available to all members, not the least of which women. Many of the lessons we have learned about gender and development apply in a co-operative setting. Policies and action must begin at the village/primary level, working to educate communities as a whole on gender issues. In the case of development pursued through the use of the co-operative model, this means promoting women as co-owners, directors, and managers of co-ops, and not just beneficiaries, or worse, silent members. In some cases, this means creating women-only co-ops. The positive results of such an experience in the Philippines show that a co-op setting can be empowering for women when freed of patterns of male dominance. The problem is not in the co-op model, but (as we've always known) between men's ears.

Democracy and good governance

Discussions of the potential contribution of co-operatives to the development of democracy and good governance generally focus on the democratic governance structure of co-ops. And with good reason. In a number of Asian countries, member-based co-ops (as opposed to government-sponsored co-ops) provide the only experience of democratic decision-making available to people. Even in such recently democratic countries as Korea, a majority of the delegates elected to the first national assembly were co-op members, acculturated to the give-and-take of democratic debate, the right of majority rule, and the respect of minority opinion.

Experience has shown, however, that democratic process in co-operatives is far from perfect. Although all members have the opportunity to develop the skills and aptitudes for leadership, and all have the right to stand for election, a "natural elite" often develops and the emergence of a governing clique is not unknown. But just as caution should be shown in claiming too much for the democratic process in co-operatives, so should caution be

shown in criticizing the model for the weaknesses inherent in nearly all democratic process. Even in countries with long democratic traditions like Canada, voter turnout is often no little more than half, the pool of possible candidates is disappointingly shallow, and the same faces appear far too regularly on the podium. Canadian co-operative leaders from one end of the country to the other confirm what one may call the "10/10 phenomenon" : 10% of the co-op membership will show up for the annual general meeting; perhaps 10% of them will be willing to serve in some elected capacity. This means that even in a strong co-operative movement with a long history of both struggle and success, approximately 10% of the membership is regularly involved with governance activities, and only 1% actually govern.

What may be most important in co-operatives like other democratic organizations and institutions is not the proportion of members who participate at any one time, but the right to participate when one wishes. It is often observed that this is a right that must be exercised to be maintained. Co-operatives in both Canada and in developing countries can encourage their members to exercise their democratic rights by providing information, opening channels of dialogue between management and members, and educating members on the issues facing the co-op. CIDA and its co-operative partners need to be vigilant that the co-operatives they support provide on-going member education. It is not a luxury, but the best insurance that co-ops will continue to offer genuine opportunities for democratic participation.

A more significant governance issue, particularly in Asia, is the relationship between co-operatives and national governments. The heavy hand of government in co-operative formation and operations has in many cases subverted the nature and utility of the co-op model as a tool for people-centered development. Government use of co-ops as agents of social and economic policy, by imposing interest rate ceilings on financial co-ops or delivering subsidies through agricultural co-ops for example, threaten the development of co-ops as viable enterprises.

CIDA and its co-operative partners need to maintain an on-going dialogue with governments on the proper relationship between government and the co-op sector. The biennial Asia-Pacific Co-operative Ministers' Conference is an important venue for such dialogue. Through their participation in ICA, Canadian co-operatives have an opportunity to make their views known. CIDA should use the opportunities provided by its bilateral co-op development projects to discuss this critical governance issue with its developing country partners.

Finally, the current financial crisis in Asia brings center stage the significant need to strengthen the supervision and surveillance functions in financial institutions in many Asian countries. With this issue, governance concerns join with those of private sector development to argue for a capacity development approach to financial stability and security. CCA and DID are working to introduce sound financial management systems and procedures at the primary level. Where the financial co-op network is sufficiently mature, they are working to develop second-tier supervisory bodies and services (e.g.

guarantee funds, central financial facilities). In nearly all cases, they are working in support of enabling legislation. The goal is the orderly development of financial co-operatives, while guaranteeing the security of deposits and the soundness of investment portfolios.

Basic human needs / poverty reduction

The discussion of co-operatives and private sector development made the point that co-ops serve both economic and social goals. The sub-text for development agencies was that one does a profound disservice to both intended beneficiaries and the co-operative model as an effective development tool, by supporting co-operatives principally for the delivery of social services or relief in situations where there is no reasonable expectation of financial and organizational viability.

Ironically, it is this concern with financial and organizational viability in co-ops that brings them under fire for an imputed preoccupation with "creating institutions rather than delivering goods and services". The most recent and damning of such criticism has come in the wake of international commitments to reach 100 million of the world's poorest families with financial and business services by the year 2005. The argument is by now familiar: a co-op is a club for the middle and working classes; entrance barriers in share capital and/or participation exclude the poor; preoccupation with showing a surplus makes co-ops ignore the poorest; successful co-ops are just another business; co-op democracy is a mask for control by the local elite, etc., etc.

Part of this argument is true, but much of it glosses over the complexity of poverty and the co-operative approach to sustainable poverty reduction.

Because they are created around an economic opportunity and depend on the participation of their members through patronage, voluntary service, etc. co-ops need members who bring something to the collective enterprise. The experience in Canada and elsewhere in both developed and developing worlds shows that even the very poor can participate meaningfully in co-ops, but that those who have nothing 'truly the poorest of the poor' are very difficult to involve directly in viable co-operatives. Such persons rather require direct support, at least temporarily, to develop the personal and material resources necessary to participate in the economic and social life of their communities. Co-ops everywhere have generally supported such benevolent actions, with human, material and financial resources.

But co-op leaders interviewed for this study make no pretense of the difficulty in reaching the poorest in their communities with the products and services they provide. In fact, many co-op leaders assert that it is not in the mandate of co-ops ^ in their duality as economic and social enterprises ^ to serve the poorest directly. Co-ops are not principally relief agencies, they reiterate, but collective enterprises which serve the interests of their community, including the poorest. They do so by providing the broadest possible access to goods and services in an organizational framework committed to equity, equality, self-help and self-responsibility and viability.

Is this simply sweeping the poor under a carpet of self-righteous discourse and philanthropy? The approach is not as heartless as it may sound. A recent review CIDA's support to micro-credit programs in Asia found that the best micro-credit programs combine financial and social perspectives. It concluded that „without a social ethic the services will not reach marginal income groups, and without a financial perspective the services will likely deteriorate and disappear.” CIDA's Policy on Poverty Reduction asserts that “poverty results from the lack of human, physical and financial capital needed to sustain livelihoods, and from inequities in access to, control of, and benefits from political, social and economic resources, poverty reduction, then, is a process by which the causes of deprivation and inequity are addressed”.

Rather than targeting the poor co-operatives address the causes of deprivation and inequity by building community-based enterprises as an alternative to the structures of economic dependence. The co-operatives' greatest contribution to reaching the poorest of the poor is in building civil society organizations that have the ethic, will, organizational and human capacity to include the poor in the economic and social life of the community. By providing an opportunity for the poor to participate in collective economic and social action as member-clients and member owners, through member education and information co-operatives offer an alternative to the relationships of exploitation and exclusion. In Quebec, 90% of the persons on social assistance who deal with the formal financial system do so through a *caisse populaire*. In the Philippines, 45% of NATCCO affiliates operate in municipalities in the two lowest categories classified by average income. Yet the Return on Equity of the average NATCCO affiliate is at par with the after-tax performance of the top Philippine corporations.

Minimalist credit, model replications, and project-delivered financial services do reach many of the poor rapidly. In that, they achieve results faster than if one were to build capacity in local communities to provide the same service. Co-ops do take time and effort to create, patience and nurturing to see grow, surveillance and monitoring to grow soundly. It is admittedly much easier for development agencies to deliver services directly than to build community-based organizations to do so.

But that approach, once so prevalent in development circles, has been rejected as an unsustainable quick-fix for primary health, education, water, and so many other issues. “Participation, social mobilization and community development” are becoming the by-words in these areas. Should it not give us pause that the direct interventionist approach that proved inadequate as a sustainable response for basic human needs should surface in micro-finance and poverty reduction in the name of reaching the poorest fast? Canadian experience demonstrates that collective solidarity is one of the most successful strategies for addressing the causes of poverty and inequity. “Changes [in favor of collective solidarity] do not take place automatically, and require concerted attention to awareness-raising and mobilization as a strategic choice. Some are concerned that if micro-credit is promoted alone, programming will end up promoting individualism, cloning minimalist

credit models, and neglecting the kind of social mobilization that has made organizations like the Self-Employed Women's Association (SEWA) so successful”.

Organization building is not a frill. The study of CIDA's support to micro-credit programs in Asia identified a horizontal organizational and decision-making structure as one of the characteristics of the most successful micro-credit organizations. By definition, people owning and managing their own organization are more empowered than those who are beneficiaries of someone else's organization. One of the most significant added values for the co-operative approach to micro-finance-microenterprise development (MFD/MED) is the collective learning that goes on through the process of creating a community-based financial service enterprise. Building co-operative organizations takes time precisely because they are built from the ground up. The history of Canadian co-operative experience has shown that growth and renewal in the co-operative sector has been the result of sound investments in continuing education for members, elected representatives and staff.

The working poor and middle classes are the principal sources of co-op membership. According to co-op leaders, a co-op simply cannot survive economically by serving only the poor and the poorest. Again, the point is made that a co-operative is not a philanthropic organization, but a community-based enterprise in perpetual research for the best balance of economic performance and social service. Its purpose is “to unite and involve its members in an economic and social community to provide countervailing market power and access to economic and social resources that as individuals the membership would not be able to accumulate for themselves”.

By “uniting and involving” members from poor, working poor and middle classes in an economic and social community co-operatives foster community solidarity. The Canadian co-operative experience demonstrates that building a successful co-operative requires a broad range of skills and energies. The poor identified by their lower levels of education, economic success, access to health care, etc. benefit from joining with the more fortunate in the community in a collective enterprise. In many cases this means bringing together net savers and net borrowers. The economically more active generate volumes of business that make it possible to serve the less active. By joining the poor with the somewhat more well-off, the economic risk of participation for the poor is lessened. So too is the social risk lessened, since the relatively more well-off can provide an organizational stability that the poor, by definition, cannot. The relatively more well-off benefit in this “uniting and involving” through the strengthening of the community in which they live and often work. This is a basic principle of social ecology, that individuals survive best by contributing to the health of the community in which they live.

Some of the most exciting growth in the Canadian co-operative sector can be found in innovative models of collective effort among members of different classes. The *coopératives de solidarité* in Quebec, for example, bring together care-givers (among the most poorly paid members of the work force), persons in need of care, and 'friends of the enterprise' (family members, benefactors, supporting agencies, others). They share a

commitment to quality care at affordable prices, with those on the front line of care-giving able to earn a decent living.

In developing countries, co-ops are collective enterprises built around a basic membership of the less poor and the emerging middle class. This is a distinct advantage for the poor. The co-op makes available essential products and services provided locally at a reasonable prices. Because the economic gain is redistributed in the community in some combination of lower prices, accessibility, and patronage refunds there is a broader sharing of wealth and well-being.

This is not classic trickle-down in a collectivist cloak. The issue is not „reaching the poorest%, but rather opening economic and social space so that the poorest may participate to their advantage. It is perfectly coherent with CIDA's Policy on Poverty Reduction, for example, where a key element in sustained poverty reduction is enabling the poor to secure sustainable livelihoods. One must be wary of a relief approach to poverty that addresses immediate problems and the effects of inequities (e.g. access to credit), without concerning itself with the issue of sustainable livelihoods.

The co-operative model is appropriate to poverty reduction, seen as a process by which the causes of poverty and inequity are addressed. A reduction approach focuses on improving the social, economic and environmental conditions of the poor and their access to decision making. It builds self-reliance, and avoids dependency relationships among donors, partners, and beneficiaries. This means forging organizational structures through which the poor can contribute effectively to the economic life of the community and share equitably in its benefits.