

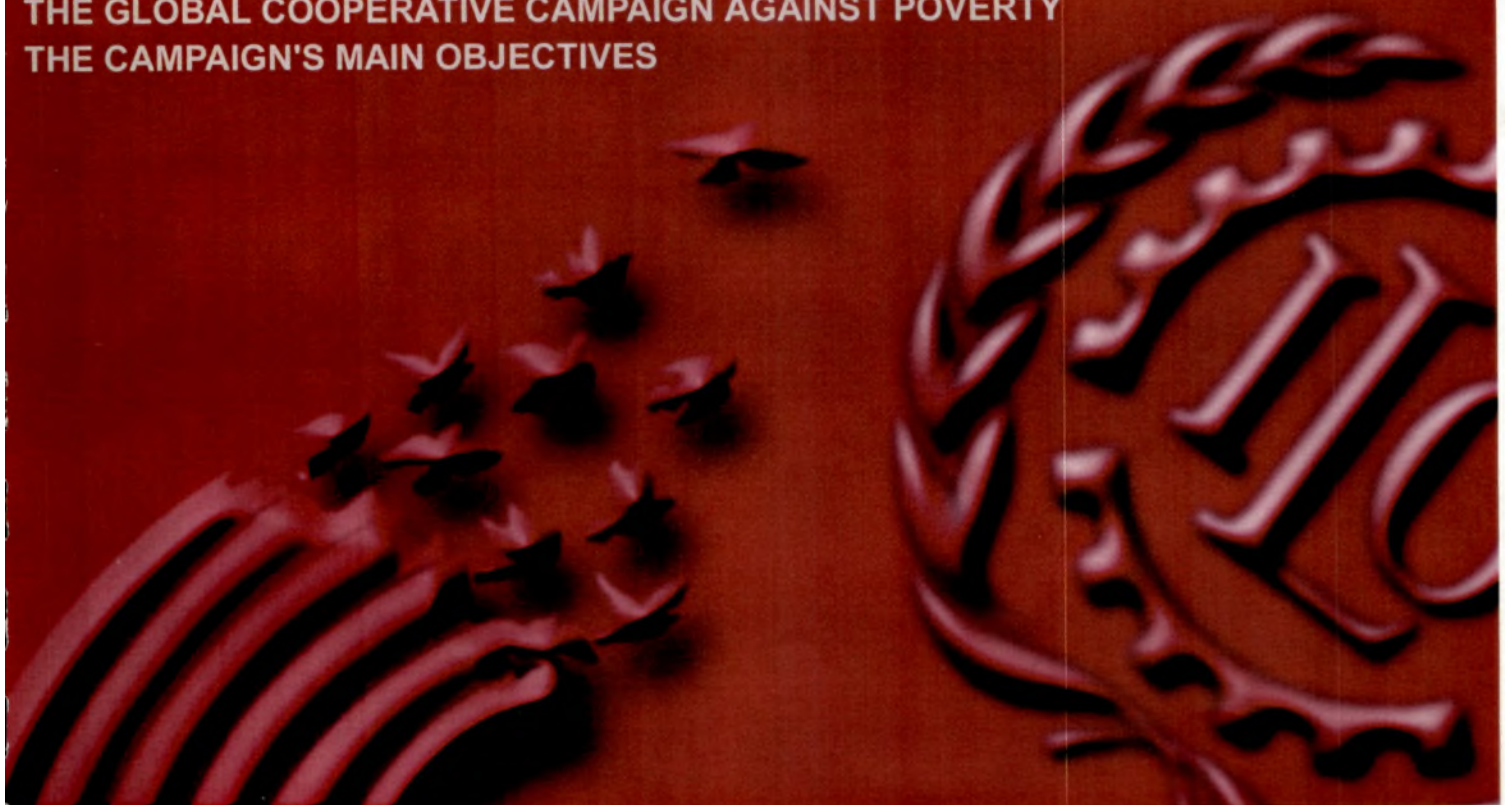


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COOPERATING OUT OF POVERTY :

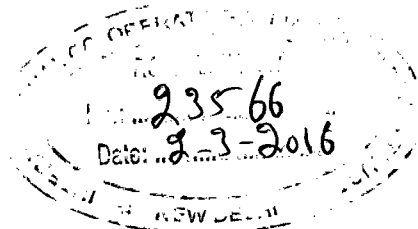
THE GLOBAL COOPERATIVE CAMPAIGN AGAINST POVERTY
THE CAMPAIGN'S MAIN OBJECTIVES



ICA 02199

Global Co-operative Campaign Against Poverty

Cooperating out of Poverty



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The Global Campaign at a glance

Given the disturbingly wide extent of poverty throughout the world, a Global Programme against Poverty is needed especially in view of the complexity of the phenomenon. The co-operative enterprise is the only form of organisation meeting so concretely all dimensions of poverty as summarised by World Bank: *opportunity, empowerment and security*. A Global Co-operative Campaign against Poverty is therefore relevant to meet the Millennium Development Goals, particularly with regard to reducing poverty by half by the year 2015. The two leading international organizations working in the field of co-operative promotion have therefore joined their forces to enable poor people to *cooperate out of poverty*. Thus, the International Co-operative Alliance and the International Labour Office will implement the Campaign.

The *beneficiaries* of the campaign are disadvantaged ^{intra} groups lacking the necessary resources to be able to meet their basic needs and those segments of the population who use co-operatives and co-operative-type organisation as a means to improve their living conditions. Furthermore, all types of institutions (governmental, NGOs and social partners) interested in co-operatives and co-operative organizations will be strengthened in their work as the campaign will raise awareness and could lead to increase support for programmes and projects.

The ultimate goal of this campaign is to make a significant contribution to poverty reduction by increasing the role of co-operatives in MDG achievement particularly with regard to reducing poverty by half by the year 2015.

To this purpose, two main immediate objectives can be distinguished:

- Create a conducive environment for co-operative development by sensitising stakeholders on co-operative potential and strengthening capacities of relevant organisations.
- Assist local relevant institutions in the serviced country to design project documents aiming at reducing poverty and support them in their implementation.

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Why do we need a Global Program against Poverty through Co-operatives?

Eradicating poverty is clearly the biggest social challenge we face today. The poverty problem is immense, whether seen through the eyes of one poor woman struggling to feed her family, or seen through aggregate poverty statistics: of the world's 6 billion people, 2.8 billion –almost half– people living on less than two dollars a day¹. This terrible figure hides women or men all around the world, not having enough financial resources to be able to meet their needs of food, health or education. In fact, poor people live without fundamental freedoms of action and choice that the better-off take for granted².

Understand poverty

The lack of a universally accepted definition of poverty is indisputably one of the main hurdles for poverty reduction policies and programmes³. Indeed, the definition of poverty is subject to important evolutions further to the work of a lot of researchers and to studies related to poverty perception by poor people themselves.

Poverty has firstly been tackled as a purely economic issue. The underlying idea was that poverty could be reduced through an increase of poor people's incomes. But today, it is admitted that an increase of the household income on its own cannot solve all the problems. For instance, girl's schooling does not have a direct correlation with family income. Life expectancy can also vary regardless of financial situation: in Kerala, in the south of India, life expectancy is higher than the one of Washington DC's population⁴.

The works of Nobel Price Amartya Sen have contributed to conceptualising another aspect of poverty, its non-monetary dimension. Exposures to risks and to income volatility are two essential aspects of poverty. It results for poor people in a feeling of vulnerability to poverty mainly. Being poor is not only a state where one only has few assets (monetary or non-monetary), it is also a state in where one is vulnerable and where one can lose the few he or she has. Vulnerability to poverty has two aspects: the external side of exposure to shocks, stress and risk; and the internal side of defencelessness, a lack of means to cope with damaging loss. External sources of risks range from irregular rainfall and epidemics to crime and violence, as well as structural vulnerability of homes and civil conflict. The poor suffer from risk because they lack the means to protect themselves adequately against it – this is what makes them vulnerable. If a contingency occurs, the poor dispose of few assets to address the problem and the depletion of those assets can plunge them further into long-term poverty. Another problem faced by poor people is that they cannot obtain loans from banks to meet their basic/primary needs. Moreover they often cannot borrow to meet their needs. In Kenya for instance, only 4 percent of the poor had access to credit through banks, mainly because property requirements exclude them⁵.

¹ D. Narayan and P. Petesch : *An Empowering Approach to Poverty Eradication*.

² A. Sen: *Development as Freedom* (New York, 1999).

³ It is difficult to fight what we do not succeed in defining it.

⁴ *Lutte contre la pauvreté: Savoir de quoi l'on parle*, L. Gagnebin (2001).

⁵ *The evolution of thinking about poverty: exploring the interactions*, R. Kanbur and L. Squire (1999).

Economically marginalized, the poor tend to be socially marginalized as well. They are disadvantaged with respect to both resources and power. Poverty is also, and perhaps above all, a relation between people. It ~~also~~ represents a social status⁶. Thus, lack of law and political rights is often perceived by poor people as a feeling of powerlessness. Hence the resurgence of the notion of social capital in the fight against poverty. Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions⁷. Recent works of the World Bank revealed the main role of social capital in poverty reduction and both economic and human sustainable development. Taking social capital into consideration is then essential in every development program. Efforts to increase the social capital of the poor should be done. It is necessary to mobilise them if any changes are to occur in their living conditions. This would obviously go through their representation at the political or institutional level. The introduction of a wide part of poor people in political debates would allow to avoid civil conflicts. For all these reasons, it is vital for the poor, as well as for the non-poor, that social capital formation among the poor be increased⁸.

Finally, it emerges from surveys and researches on poverty that it is a multi-dimensional and very complex phenomenon. Every program aiming at eradicating poverty must imperatively take into consideration all its dimensions to expect to break the vicious circle of poverty⁹.

Consequently it appears that poverty is a state in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic services (health, education, water, sanitation) and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work¹⁰.

A multi-dimensional response for a multidimensional phenomenon

The World Bank advocates an action through three aspects¹¹:

- promoting *opportunity* because as we have seen, poverty does not only appear monetarily speaking but also because of a lack of fundamental freedoms of action and choice;
- facilitating *empowerment* to strengthen individual's capacities in order to allow them to meet their basic needs;
- enhancing *security* because people being deep in poverty are the most vulnerable to risks and especially to their consequences (i.e. loss of job and income).

The task is certainly difficult, but action is necessary. Poverty is expensive. It hinders growth, fuels instability. In industrialised countries as well as in developing countries (especially in the informal economy), the poor represent wealth of inventiveness, creativity and courage. Well used, it could increase the efficiency of productive systems of the country concerned.

⁶ *Stone-Age Economics*, Marshall Sahlins.

⁷ World Bank.

⁸ *Social Capital formation as a Poverty Reducing Strategy*, E. Øyen, p14.

⁹ Poverty implies low financial resources which prevent poor people from meeting their needs (nutritional and saving particularly). Yet, poor people are the most vulnerable to risk but cannot protect themselves against it. Such phenomenon reduces their productivity especially when risks occur. They are therefore unable to reach their "optimal income" and thus become poorer.

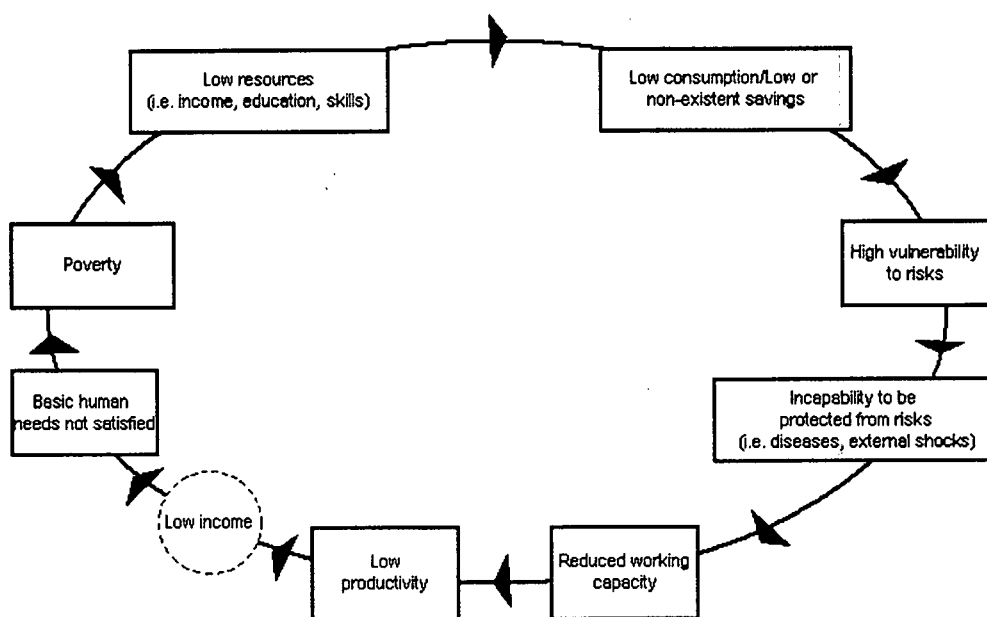
¹⁰ *Poverty reduction through small enterprise development*, P. Vandenberg, p12 (2004).

¹¹ *Attacking poverty: Opportunity, Empowerment and Security* in World Development, Report 2000/2001, World Bank.

Furthermore, funds allocated to social protection in industrialised countries in particular, could be reallocated for a different purpose if poor people were helped to help themselves. Large segments of the rural population are poor in a lot of regions. Therefore poverty reduction is more than ever a challenge in rural areas.

Facing this worrying picture, the international community could not stay indifferent. In 1995, the Copenhagen Social Summit has seen the international community pledge itself to strive for poverty eradication as a global objective. For the first time, 117 Heads of States and Governments have officially committed themselves to fight actively against poverty.

Figure 1: The vicious circle of poverty



In 2000, the Millennium Summit has confirmed that this commitment was real. Following the Summit, United Nations agencies collectively identified a concise set of eight Millennium Development Goals (MDGs) – eradicate extreme poverty and hunger, achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a Global Partnership for Development. These objectives have become an important tool for cooperation in support of national policies to reduce and eliminate poverty, in particular, the target of halving extreme poverty by 2015.

Unfortunately, a joint study by the World Bank and the International Monetary Fund says the MDGs are unlikely to be met on current trends¹². According to this study, governments and others are making only a third of the effort needed to achieve the goals. It also identifies what it calls some “disturbing trends”: the proportion of people suffering from hunger hungry is likely to increase in the Middle East, sub-Saharan Africa and South Asia. It says that 96 countries are not on track to reach the objective of primary education for all children by 2015.

¹² *Policies and Actions for Achieving the MDGs and Related Outcomes*, World Bank & International Monetary Fund (2004).

Therefore, a large-scale action must be undertaken to stop and adjust such a trend and expect reach the MDGs.

Co-operative response

At the same time, co-operative organization form benefits from an interest revival. In 1996, a resolution was adopted at the UN General Assembly urging that due consideration be given to the role, contribution and potential of co-operatives in achieving social and economic development goals. The UN adopted guidelines on the role of co-operatives in social development in the late 2001¹³. In 2000, African Ministers and Heads of Delegation in charge of co-operative, met at a Round Table during the 13th Session of the Pan-African Co-operative Conference and adopted a ten year Action Plan to alleviate poverty through co-operative entrepreneurship. Through this Action Plan, the Governments acknowledge that co-operatives are self-advancement organizations helping their members to reach their socio-economic goals. They also proclaim their faith in the promotion of co-operative entrepreneurship as efficient mean for poverty alleviation. Afterwards, in 2002, the International Labour Conference adopted a new Recommendation (No 193) concerning the promotion of co-operatives replacing Recommendation No 127, which was exclusively meant for developing countries. This Recommendation aims at enabling a conducive environment for co-operative development. Finally, the European Union also proved its attachment to co-operative enterprise by elaborating and adopting a European Co-operative Society in 2003. This commitment has been strengthened recently by the Communication from the Commission to the Council and the European Parliament, the European Economic and Social Committee and the Committee of Regions, adopted in Brussels on February 2004. Thus, the last four years have seen the appearance of four important international texts for the promotion of co-operatives. But it is true that through their varied activities, co-operatives are in many countries significant social and economic actors in national economies, thus making not only personal development a reality, but contributing to the well-being of entire populations at the national level.

In fact, the co-operative enterprise is a particular aspect of a broader and old concept: the co-operation. Co-operation is a social process where people work together to achieve common goals. Co-operatives are organizations designed to enable people to co-operate in some facets of their lives¹⁴. According to the Recommendation No 193, *the term "co-operative" means 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*. Yet, many people still underestimate the scope and size of the co-operative movement and thus how it affects national economies and society in general. 760 million people around the world are members of co-operatives. In Kenya 20% of the population is a member of a co-operative, while in Argentina it is over 29%, 33% in Norway, 40% in Canada and the United States. Co-operatives also provide over 100 million jobs around the world. In some countries and areas, they are among the largest employers as it is the case in Colombia where a national health co-operative is the 2nd largest employer at national level. They are also leaders in their sectors, for example, in Benin, a savings and credit co-operative federation has provided USD 16 million in rural loans in 2002 and in Kuwait co-operatives handle 80% of the retail trade business¹⁵.

¹³ *Rediscovering the cooperative advantage*, J. Birchall (2003).

¹⁴ *The Nature of Co-operation*, John G. Craig.(1993)

¹⁵ Message from the International Co-operative Alliance (2003).

What co-operatives can offer

Economic theory explains the comparative advantage that co-operatives have over other types of organizations in that they:

- develop a transaction cost advantage in mobilizing member initiative and resources;
- show a particularly high level of flexibility and adaptability to changing market situations;
- can successfully produce for or develop demand in niche markets due to their limited size;
- can build up own resources (e.g. indivisible capital, which in cases is a cheaper source of finance than any other) which make them truly autonomous, able to survive independently of external support and able to compete in the relevant markets;
- can become important local financing institutions, combining the local need for safe-keeping with that of entrepreneurial access to credit;
- inspire innovation, diversification and specialization in their members' enterprises;
- establish self-financed federative systems (e.g. regional coops or national unions) for consulting, training, marketing and political representation; and
- positively influence the institutional and normative patterns of local and national environment and international markets.

Evidence further points to the comparative advantage of co-operatives in social terms because they:

- are largely dependent on the membership of natural persons and thus usually locally bound, owned, directed and controlled;
- are the first to face the needs of the local population, are responsible (and hopefully accountable) to them and can rely on the knowledge of local circumstances as well as development potentials in planning their actions. This seems to be one of the prime reasons which render them uniquely effective for the privatization of public services and as suppliers of local infrastructure;
- instil a high level of identification of the group with the organizational aims;
- promote local knowledge and understanding of democratic processes;
- avoid the development of a recipient mentality on the part of members;
- are institutions capable of managing communal properties without either widening the gap between ownership and control rights or squandering precious resources by merely administering what should be wisely utilized — both in terms of the local economy and ecology;
- cannot run away merely because the capital employed can earn more elsewhere, thus giving local citizens a good measure of certainty in their own economic planning;
- bring members closer to their aims even if — or particularly when — environmental conditions have changed to their disadvantage.

Apart from these direct advantages, co-operatives are also seen to have indirect and longer term social and economic effects, which influence entrepreneurial attitudes and environmental conditions. Indeed, they are able to:

- initiate or support group processes resulting in the replacement of status thinking and misplaced fear of social reprisal by achievement motivation and confidence for the individual, both essential pre-conditions for local entrepreneurship (and particularly important in developing and transition countries);
- develop new, democratic structures of social control in primary units by integrating local habits, value systems, traditions and customs;
- limit the risk and multiply the gain from local experiments, spread local knowledge and allow for efficient use of public funds spent on training and consulting services to small businesses, farmers, craftsmen and women.

Source: *Promotion of cooperatives*, Report V(1), International Labour Conference, Geneva (2001)

The co-operative enterprise is the only form of organisation meeting so concretely all dimensions of poverty such as resumed by World Bank: *opportunity, empowerment and security*.

Opportunity: Co-operatives through their capacity to involve all sectors of the economy, represent a mean for the poor to identify those opportunities. For instance, co-operatives give farmers unable to market their products, the chance to get together and enjoy scale economies. This way, they can obtain inputs at affordable prices. To those excluded from classical financial systems, co-operatives give the chance to obtain credit in best conditions and a place where to secure savings. To those who do not have enough financial resources to buy basic foods, co-operatives enable them to get these same products but at a lower price than market price through wholesale purchase, etc. Furthermore co-operatives are important forms of social capital that empower collective self-help action that makes development happen. Acting through their own organisations, small-scale producers and workers and the poor especially in rural area, access inputs, markets and government services more efficiently aimed at improving their livelihoods and undertake other self-help action to improve their communities. Talking about the link between social capital and housing co-operatives, Susan Saegert said "*Our ethnographic studies suggest that co-operatives provide social capital that acts as the first line of defence in times of crisis. In almost every co-op we have studied closely, residents also provide encouragement and practical assistance to each other in pursuing education and employment opportunities. It is also common for some co-op residents to use the skills they learn running a building to advance both their education and their employment status*"¹⁶.

Savings and Credit Co-operatives in Sri Lanka

Savings and credit co-operatives are among the most successful co-operatives in developing countries, in large part because they have been successful in avoiding governmental control. The movement in Sri Lanka--called SANASA, an abbreviation of the local Sinhalese name--has always been committed to serving the needs of the poor in rural areas and on member involvement.

SANASA co-operatives are found across the country, also in Tamil areas. In order to encourage democratic participation, the size of each primary society is limited to some 600 members. Every three years there is a national congress, which attracts between 150,000 and 200,000 members and becomes a major social occasion.

A number of recent studies have shown that SANASA, by combining savings and credit, is more sustainable than the better-known Grameen Bank of Bangladesh, which relies upon external financing for its credit activities. Committed to rural development, SANASA has developed insurance services for its members and has even opened post offices in remote parts of the country which had no reliable postal service.

SANASA has, as a result, become the largest social movement in Sri Lanka and one of the strongest grassroots co-operative movements in the world.

Empowerment: Co-operatives are a mean through which empowerment of disadvantaged people is possible. Its democratic organisation, based on its "one member, one vote" rule, and its active participation of members, give to every one the possibility to defend its own interests. By definition, these interests are convergent if not common. Every member gives himself the mean to meet its own needs by participating actively to the life of the co-operative.

Security: Co-operatives allow people to convert individual risks into collective risks by putting together members wishing to protect themselves from the same risks at an affordable

¹⁶ Susam Saegert is Director of the Center for Human Environments..

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cost. In this field, in industrialised countries (Europe and Japan especially) and in developing countries as well (in French-speaking countries notably) insurance co-operatives have already proven themselves efficient. Risk and vulnerability contribute to poverty directly, e.g. through the depletion of productive assets from bad weather, but also through the response of poor households to risk: withdrawal of children from school, low productivity specialisation (crops, informality). In addressing risk and vulnerability, co-operatives have an impact upon poverty reduction. For instance, through co-operatives, rural people elect their own leaders, mobilize their own resources to improve their livelihoods and their communities and learn the value of cooperation. This reduces the risk of conflict and contributes to the improved local governance and the growth of more stable and democratic institutions serving the interests of rural people.

Therefore, co-operatives have all the weapons to tackle the numerous dimensions of poverty.

The need of a Global Co-operatives Campaign against Poverty

Consumer-owned co-operatives

Consumer-owned co-operatives have grown in some countries to offset the lack of reliable, reasonably-priced electricity, water, and telephone services.

In Bolivia, co-operatively-owned utilities began in Santa Cruz de la Sierra in the 1960s. Now there are 83 electricity co-operatives and 16 telephone co-operatives, covering most of the country. Similarly, in Chile, consumer-owned electricity co-operatives serve about 25 percent of the rural population. Similar development began in Brazil in the late 1970s, but now there are 202 such co-operatives serving about 270,000 consumers.

The United States rural electricity co-operatives operate more than half of the electrical lines, providing power to more than 25 million people in 46 states. In Argentina, electrification co-operatives already began work in the 1920s to balance the power of foreign monopolistic suppliers. Once they had consolidated their often precarious situation, they began to include the provision of water, the construction of telephone lines and the distribution of gas and other services into their portfolios. At present about 500 utility cooperatives of this kind exist and distribute about 19 per cent of the country's electricity, reaching about 1.2 million consumers in 900 communities, particularly in the rural areas. There are 130 co-operatives which have specialized in providing telephone services and 320 which only provide drinking water.

The co-operative movement that emerged as ^a social response to the economic and social structures that underlie the problems that unmistakably exist today could not, and cannot, be excluded from this pressing need to analyse the threats that we face as a species or from the formulation of solutions¹⁷. It is then clear that co-operatives are essential partners in the global efforts to achieve a widely shared social and economic development. By helping people to help themselves, co-operative enterprise is an efficient means to fight poverty, and for this reason a means to reach the MDGs which cannot be ignored.

It is with this belief that the ILO signed a Memorandum of Understanding with the International Co-operative Alliance (ICA) on 10 February 2004 to implement a "Common Co-operative Agenda" to contribute effectively to the attainment of the UN Millennium Development Goals. This agreement strengthens the historical collaboration between the two organisations and their commitment vis-à-vis ^{the} co-operative movement.

Founded in 1895, the International Co-operative Alliance is an independent, non-governmental association which unites, represents and serves co-operatives worldwide. Its

¹⁷ *Cooperativismo y Medio Ambiente*, Naredo J-M.

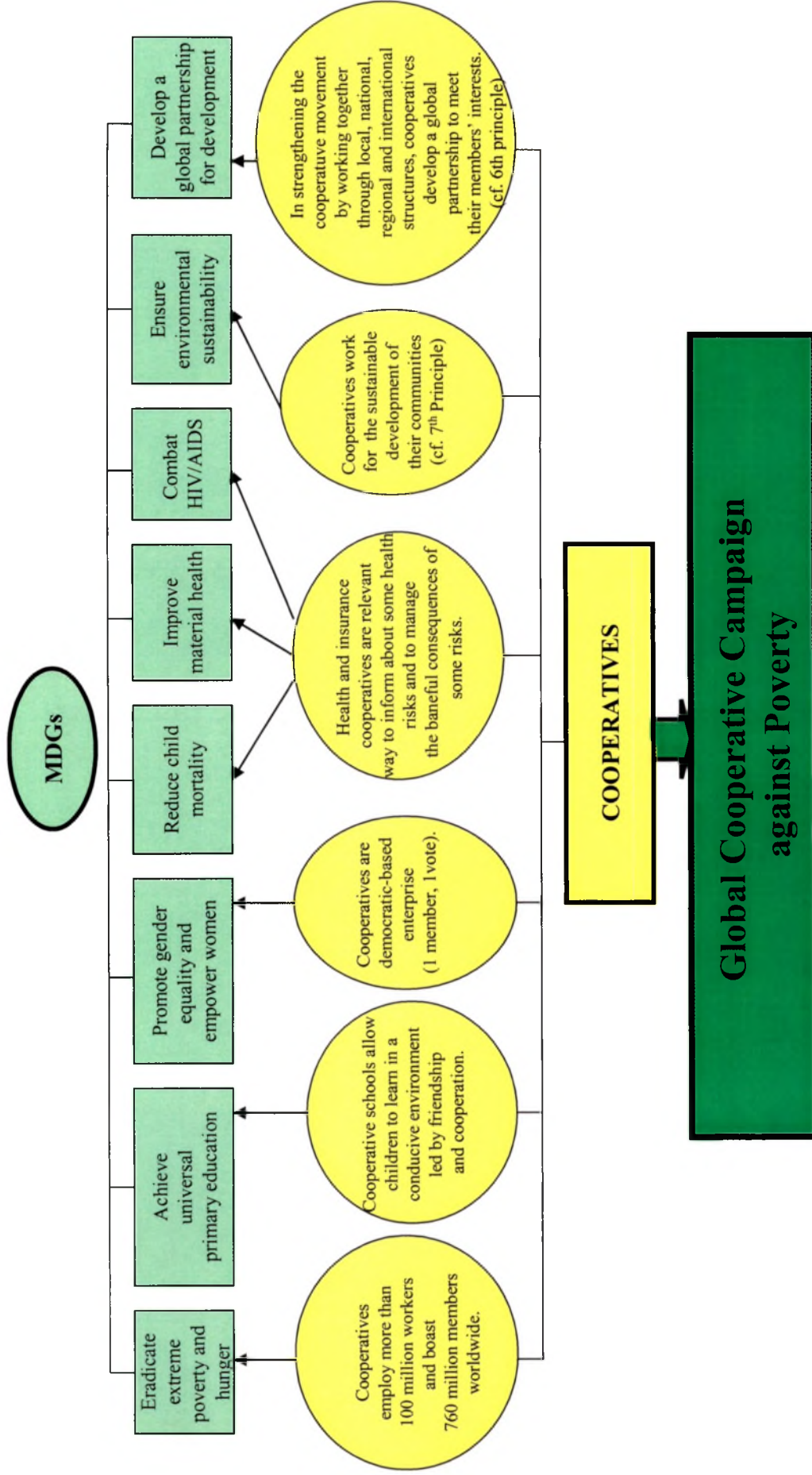
goal is to promote and strengthen autonomous co-operatives throughout the world. With 227 member organisations from nearly 100 countries, representing more than 760 million individuals worldwide, ICA is an unavoidable actor as regards to co-operative development.

Created in 1919, the International Labour Organisation (ILO) has been early engaged in supporting co-operative development since the establishment of a co-operative technical service in 1920 and so acknowledged the importance of co-operatives for million of people in the world¹⁸. Through the Co-operative Branch the ILO provides a variety of services to ILO constituents, by means of policy advice to Member States, technical cooperation, documentation and information to increase public awareness about co-operatives, and the promotion of co-operative methods and approaches to resolve a variety of problems and issues.

Therefore it is natural that these two organisations join their forces to work together for the promotion of co-operatives at global level. But facing a growing demand for support from million of people plunged into poverty, the Agenda itself is not enough. Co-operatives have proven their ability to take people out of poverty and exclusion. They deserve a large-scale programme allowing them to bring their contribution to MDG attainment as a ***Global Campaign Co-operative Campaign against Poverty***.

¹⁸ It is interesting to note that the first ILO Director-General, Mr. Albert Thomas, was a member of the Executive Committee of the International Co-operative Alliance

Figure 2: Co-operatives and the MDGs



What is the Global Co-operative Campaign?

Two main findings can be drawn from the previous analysis. Firstly, the poverty problem is very complex. Its multidimensional aspect is a call for a multidimensional action. Poverty is not in the first place lack of resources but a state of mind. Accordingly eradication of poverty cannot be brought about by transfer of resources but only by integrated development, capacity building, opening access to information, knowledge, opportunities and markets. Secondly, co-operatives have proven their relevance to the fight against poverty. Although their contribution to alleviating poverty are relatively small compared to the huge dimension of the world-wide problem, their contribution is significant, not only because the world co-operative movement, through the ICA, is the largest NGO representing 800 million individual members but because they offer a tested model for organised self-help in the economic and social sphere, which can be used by all who are interested¹⁹. The ideology of the co-operative approach, based on principles of solidarity, mutual assistance, participation and interest in the community, implicitly signifies development that takes future generations into account, i.e. sustainable development.

It is said sometimes that co-operatives do not help the poorest. But we must keep in mind that by definition, co-operatives practise open membership, which means that they do not exclude the poor or the poorest and that in fact the socially weak should be motivated in most cases to form their own co-operatives. There is a co-operative model for almost every problem faced by the poor and the poorest and it does not require necessarily huge financial resources. But it is true that most of poor people are not aware of opportunities offered by co-operatives. That is why there is a need for a global program against poverty through co-operatives.

One reason

Conscious of this need, the International Labour Organisation and the International Co-operative Alliance have decided to launch a Global Co-operative Campaign against Poverty.

Objectives of the Global Co-operative Campaign

The *beneficiaries* of the campaign are disadvantaged groups lacking the necessary resources to be able to meet their basic needs and those segments of the population who use co-operatives and co-operative-type organisation as a means to improve their living conditions. Furthermore, all types of institutions (governmental, NGOs and social partners) interested in co-operatives and co-operative organizations will be strengthened in their work as the campaign will raise awareness and could lead to support for programmes and projects.

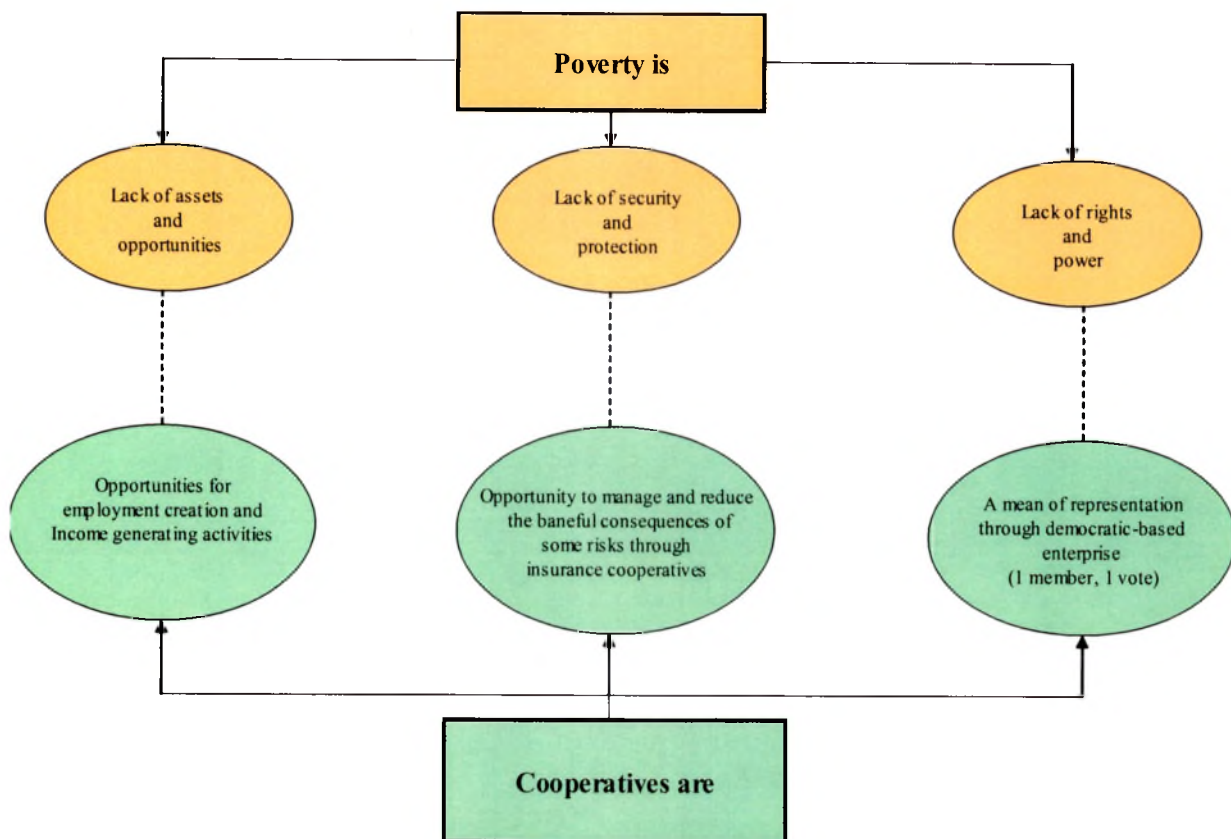
The ultimate goal of this campaign is to make a significant contribution to poverty reduction by using the full potential of co-operatives in MDG achievement particularly with regard to reducing poverty by half by the year 2015.

To this purpose, two main immediate objectives can be distinguished:

¹⁹ *Innovative Approaches to Co-operative Solutions of Housing Problems of the Poor*, Hans-H. Münkner.

- Create a conducive environment for co-operative development by sensitising stakeholders on co-operative potential and strengthening capacities of relevant organisations.
- Assist local relevant institutions in the serviced country to design projects documents aiming at reducing poverty and support them in the implementation of demonstration projects.

Figure 3: Poverty and Co-operatives



Campaign strategy

These objectives are complementary. The sensitisation of stakeholders on co-operative potential is essential as there is general lack of understanding on co-operatives which extends to even those national authorities which have powerful co-operatives in their country. The co-operative model of enterprise remains poorly known and understood and its contribution to poverty alleviation and eradication continues to go unrecognised by development policy makers including institutions such as the World Bank. It is of paramount importance that the movement invest in promoting the co-operative image and get the message out. Co-operatives play multifunctional roles that are not only economic, but also social and environmental, which cannot be acquired only through trade. A co-operative differs from other commercial organisation as its main aim is to serve its members while also having a beneficial impact on the community in which it operates²⁰. This awareness on co-operative advantages is the first

²⁰ Message from the ICA for the 76th International Co-operative Day (1998).

step for creating a conducive environment for co-operative development. It furthers partnerships between international organisations and NGOs.

Increasing awareness on co-operative is a necessary condition but not sufficient in the fight against poverty especially in a Global Co-operative Campaign against Poverty. Concrete projects are needed to demonstrate the relevance of the co-operative response. Through the Global Co-operative Campaign, demonstration projects will be designed and organised in a number of countries in different regions. The campaign will help local relevant institutions or groups to design projects documents aiming at reducing poverty and support them in the implementation of demonstration projects.

sure it?

Furthermore, the new international development framework offers co-operatives several opportunities to extend their sphere of operations. PRSPs and the fair trade concept are new leads where co-operatives could play and are playing a significant role respectively

Out of 39, 34 PRSPs mention co-operatives or have a co-operative component²¹. Such things must be exploited. Why not for instance either sensitising countries which do not have a PRSP to include co-operatives in their future PRSP or by helping countries which have included co-operatives in their PRSP to implement co-operative projects.

The emergence of the fair-trade concept is another opportunity for the co-operative development. Fair Trade means an equitable and fair partnership between marketers in the North and producers in Asia, Africa, Latin America, and other parts of the world. It is a growing, international movement which ensures that producers in poor countries get a fair deal. This means a fair price for their goods (one that covers the cost of production and guarantees a living income), long-term contracts which provide real security; and for many, support to gain the knowledge and skills that they need to develop their businesses and increase sales. Fair Trade brings the benefits of trade into the hands of communities that need it most. Producers receive a fair wage when they are paid fairly for their products. This means that workers are paid at least that country's minimum wage. Since the minimum wage is often not enough for basic survival, whenever feasible, workers are paid a living wage, which enables them to cover basic needs, including food, shelter, education and health care for their families. Paying fair wages does not necessarily mean that products cost the consumer more. Since fair trade organisations bypass exploitative middle people and work directly with producers, they are able to cut costs and return a greater percentage of the retail price to the producers. The business generated by Fair Trade organisations in Europe and the U.S. now accounts for an estimated US\$400 million²². There is a close relation between Fair Trade and co-operatives. Principles of Fair Trade are quite compatible with principles of co-operatives. For both the ultimate goal is to improve living conditions of workers. That is why most of the time producer organisations involve in Fair Trade are co-operatives.

The co-operative movement and development partners should use the full potential of fair trade in order to improve living conditions of small producers and create income generating activities.

²¹ Actually, 32 mention "cooperatives" and 2 not mention them, but both talk about "microfinance" which is a part of the cooperative movement through financial cooperatives.

²² *A Brief Look at Free Trade in the Global Economy*, J. Cavanagh.

Campaign Coordination

ICA (the apex organisation of the international co-operative movement) and ILO (specialized agency of the United Nations having the largest technical cooperation programme on co-operatives within the UN system) will coordinate the Campaign enlisting the support of other organisations who will define the actions and activities most relevant to promote co-operative identify support and resources for the expansion of existing programmes and the development of new programmes. *no!*

In 2005, these two partners will launch the Global Co-operative Campaign against Poverty in Geneva with regional launching by the ICA Regional Offices in India, Kenya, Burkina Faso, Costa Rica in close collaboration with ILO Offices to ensure that the Campaign will meet local needs and be driven by local priorities. Launches are encouraged at the local, national or regional level with the participation of all the ICA member organisations as well as co-operative development partners. Their inputs will be needed at each stage of the campaign. Furthermore, a joint website about this campaign will be developed. *discuss?*

Initially the ICA and ILO will coordinate the Campaign, however, it envisaged that participating organisations will define how the Campaign will be managed in the future.

How the Campaign will work?

Each participating organisation in the Campaign will define the activities that it will undertake to fulfil the remit of the Campaign. However, ICA and ILO as coordinators will provide background information on the Campaign and collect case studies and best practise from participating organisations.

Below are a series of possible activities that could be undertaken by participating organisations.

Increase awareness about co-operatives and promote a conducive environment for co-operative development

Despite millions of employment generated by co-operative movement, the co-operative enterprise is still poorly known and understood by the civil society, even by governmental and development institutions. This limits development partnerships and thus wastes effort in the fight against poverty. Moreover, co-operative organisations do not always have the capacities needed to sensitise local partners and to provide advisory services to co-operative enterprises.

Therefore, the campaign will work at all levels to create a conducive environment for co-operative development by informing and sensitising stakeholders on co-operative potential and by strengthening capacities of relevant organisations.

At micro level

Observation	Unfortunately, the general public, especially poor people, does not know what a co-operative is or does. The word co-operative itself may mean different things to different people. People will likely recognize businesses as Credit Agricole in France, or Migros in Switzerland, Rabobank in Holland, however, many may not realize they are co-operatives. This information gap is even more striking when one compares it with the true picture of co-operative business today. Co-operatives are in fact a very significant part of the global economy. Ranging from small-scale to multi-million dollar businesses across the globe, they are estimated to employ more than 100 million women and men and have more than 800 million individual members ²³ . This gap between reality and public perception must be one of the major concerns and challenges of the co-operative movement.
Expected result	The general public especially poor people benefit from a better knowledge on co-operative advantages, values and principles.
Methodology	Workshops to raise public awareness on co-operative advantages will be

²³ *Working out of Poverty*, Report of the ILO Director-general (Geneva, 2003).

held for associations and groups of the informal economy and workers' organisations. To this end, factsheets summing up *best practises of co-operative development* in the target region will be produced and used as well as manuals on roles and functions of co-operatives²⁴. Before starting any activity on co-operative promotion, needs of co-operatives have to be determined among other things through studies. Thus, activities will be organized to identify needs of co-operative enterprises. Terms of reference of these studies will be written by ICA/ILO regional offices to fit to local realities.

future!

At meso level

Observation	Like other types of enterprise, co-operative enterprises need support services to strengthen, facilitate and improve their activities. Such support services include education, training and information of their members, advice and consultancy services, audit services, research, etc. However, in ^{many} developing countries, after decades of external/state supervision and control, most of the co-operatives are too weak to build up their own support structures. Therefore, they continue to rely on external support, and this prevents them from developing the required entrepreneurial spirit and skill. The most urgent need is for education and training for co-operative members, elected representatives, managers and employees.
Expected result	Member capacity building of relevant structures is strengthened allowing them to deliver special support services to co-operatives.
Methodology	After identifying relevant co-operative organisations ²⁵ , their needs and weaknesses, training workshops will be organised for their members using existing materials of ILO ACOPAM and MATCOM programmes ²⁶ .

²⁴ Workshops will be organised to eliminate illiteracy if necessary.

²⁵ Co-operative apex organisations and secondary level co-operatives.

²⁶ Both programmes produced a lot of manuals and guides to support grassroots organisations whose activities relate to basic development in Africa and for co-operative management training respectively.

At macro level

Observation	Even among decision makers, the lack of understanding about the co-operative form of enterprise is almost <u>frightening</u> . They do not really know what the co-operative advantage <u>is even</u> governmental institutions which have powerful co-operatives in their country. This is harmful to the national economic development. Well harnessed, co-operative potential has demonstrated his ability to “formalize” informal workers and give them appropriate social protection through among other things micro-insurance/ insurance co-operatives. <i>Cooperatives play an important role in integrating unprotected workers in the informal economy into mainstream economic life.</i> Therefore some activities have to be undertaken to offset this lack of information. Activities must be designed by regional offices to take local context into account (languages, illiteracy rate of participants).
Expected result	Governmental institutions or relevant organisations have a better understanding on co-operative advantages as far social protection and informal economy is concerned.
Methodology	Specific fact sheets and primers ²⁷ on co-operatives will be used to inform and sensitise national and local decision makers on <i>what a co-operative is</i> and its advantages in terms of national development (<i>formalization of the informal economy, extending social protection, etc</i>). NGOs will also be sensitised to explain them how to work with a co-operative. Seminars will be organised for governmental institutions to sensitise them on the ILO Recommendation 193 for the promotion of co-operatives, and its content.

At international or regional level

Observation	Development partners poorly know and understand the contribution of the co-operative model of enterprise to poverty alleviation and eradication. In fact, it is largely ignored by development policy makers, including institutions such as the World Bank although a lot of PRSP have a co-operative component ²⁸ . This prevents from establishing partnerships between organisations as the ILO or ICA and development partners in the fight against poverty. Yet, the fight against poverty requires synergy and collaboration between stakeholders.
Expected result	Partnerships are established between ILO/ICA and international organisations.
Methodology	Specific factsheets and technical papers on the <i>impact of co-operatives on poverty reduction</i> will be prepared and used to sensitise development

²⁷ Fact sheets and primers will be designed by ILO and ICA regional offices to take local context into account (languages, and so on).

²⁸ See next section.

partners as the World Bank on co-operative potential in the fight against poverty. Likewise, partnership with all relevant organisations in poverty reduction has to be considered.

A Memorandum of Understanding could be signed by organisations accepting to be involved –not financially necessarily – in the campaign. It should include a general statement in support of the principles of the campaign, the identification of their priority principle(s) and establish specific mechanisms to improve collaboration.

Information and communication materials

Guides, manuals and factsheets will be prepared for sensitising activities. Every guides or manuals will be made according to the target-groups and the local context. Thus, government institutions will be sensitised through guides explaining what is a co-operative, with data on the most important co-operatives in the country; for NGOs, guides explaining how to work with a co-operative would be more appropriate; for international organizations (UN agencies especially) guides on co-operatives and their impact on poverty reduction would be quite useful, and so on. At all levels, documents of the Global Campaign will be adapted by regional offices to meet specific needs of each country or region.

General and specific factsheets on co-operatives and development issues

- Co-operatives and the health sector;
- Co-operatives and employment creation;
- Co-operatives and poverty alleviation;
- Co-operatives and gender equality;
- etc.

Technical papers on co-operatives

- Case studies;
- Success stories on co-operative development (projects like ACOPAM, INDISCO, SYNDICOOP, etc.);
- etc.

Assist local relevant institutions in the serviced country to design project documents aiming at reducing poverty and support them in the implementation process

Observation	Increasing awareness on co-operative is not enough to fight poverty. Concrete projects are necessary to demonstrate the relevance of the co-operative response and to concretise partnerships and synergies.
Expected result	Jobs and/or income generating activities are created through the implementation of co-operative projects designed by disadvantaged groups.
Methodology	Technical support will be provided to identified disadvantaged groups to help them to find out the co-operative model meeting their needs. Thus, through the Global Co-operative Campaign, projects will be designed and implemented with partners of the campaign including workers' organisations, employers, NGOs and development agencies. Development and poverty reduction through co-operatives are core areas of the ILO and ICA. Therefore, many projects are already on-going in this field. Therefore, the campaign will strengthen capacities of existing project while it will initiate new ones after consultation with local relevant organisations or institutions.

Leads for new prospects

The PRSP opportunity

In September 1999, the World Bank and the International Monetary Fund decided to base all their concessional lending and debt relief to the “heavily indebted poor countries” on a Poverty Reduction Strategy Paper (PRSP) for each country. The Bank and Fund invented the PRSP to ensure that debt relief money would go to poverty reduction, and to respond to evident weaknesses in relations between poor countries and the Bretton Woods Institutions - in particular, lack of poverty focus, and no country ownership of reforms. To achieve this, the PRSP is expected to be developed in a *participatory way*, to be 'nationally owned', and to lay out a policy framework and agenda to address poverty.

The PRSP is currently at the heart of the new anti-poverty framework of the World Bank and IMF.

A brief analysis of those PRSPs reveals that out of 39, 34 PRSPs mention co-operatives or have a co-operative component²⁹, which is quite significant. Such things should be exploited by for instance either sensitising countries which do not have a final PRSP on opportunities of including a co-operative component in their future PRSP or by helping countries which have included co-operatives in their PRSP to implement co-operative projects. Furthermore, the democratic functioning of co-operatives and their ability to be present even in remote areas can improve the representativeness of PRSPs, which sometimes is one of the main critics against them. Thus, ensure the participation of each part of the population in the PRSP process. Furthermore, a close collaboration between PRSPs and the co-operative movement will enhance the impact on the policy process by providing a direct channel between informal economy groups and poverty reduction strategies.

Therefore, a close collaboration between ILO/ICA²⁹ and the Bank has to be considered. In the sense that partnerships with international organisations involve in the fight against poverty must be established in order to take full use of the co-operative potential in term of poverty reduction. The World Bank's PRSPs are means, which cannot be ignored to reach the objective of halving extreme poverty by 2015 just as the outstanding capacity of co-operatives to enable the very poorest to organize themselves and bring the power of cooperation into their communities.

²⁹ Actually, 32 mention “cooperatives” and 2 not mention them, but both talk about “microfinance” which is a part of the cooperative movement trough financial cooperatives.

Table 1 Co-operatives and the PRSPs

Country	Sector in which "cooperative promotion" is mentioned in the PRSP	Country	Sector in which "cooperative promotion" is mentioned in the PRSP
Albania	Financial Services, Employment	Mali	Employment, Financial Services, Housing, Social Protection
Armenia	Agricultural	Mauritania	Agricultural, Electricity, Employment
Azerbaijan	Agricultural, Financial Services	Mongolia	Agricultural, Financial Services
Benin	-	Mozambique	Agricultural
Bolivia	Financial Services	Nepal	Exports, Rural Infrastructure
Bosnia and Herzegovina	Financial Services, Agricultural	Nicaragua	Financial Services
Burkina Faso	Agricultural	Niger	Infrastructure
Cambodia	Employment	Pakistan	-
Cameroon	Financial Services	Rwanda	General
Chad	Social, Infrastructure (safe water and energy)	Senegal	Culture
Djibouti	Agricultural, Housing	Serbia and Montenegro	Agricultural, Employment
Ethiopia	Agricultural, Financial Services	Sri Lanka	Financial Services, Transport
Georgia	*	Tajikistan	Agricultural, Industry
Ghana	Agricultural, Employment	Tanzania	Agricultural, Financial Services
Guinea	Craft Industry, Health, Tourism	The Gambia	-
Guyana	-	Uganda	*
Honduras	Financial Services, Housing	Vietnam	Agricultural, Infrastructure
Kyrgyz Republic	Agricultural, Small and Medium Enterprises	Yemen	Agricultural, Infrastructure (water sanitation)
Madagascar	-	Zambia	Agricultural
Malawi	Agricultural		

World Bank (2004)

“-“ :Co-operatives are not mentioned in the PRSP.

“-*“:Co-operatives are not specifically mentioned in the PRSP but as for other PRSPs, micro finance is.

The Fair trade concept and Cooperatives

Globalization has reinforced the influence of market forces while overcoming many of the problems inherent in geographical distances through advances in communications and transportation. Rapidly declining telecommunications costs are tightening financial integration, opening up possibilities for new types of international trade and promoting the diffusion of ideas³⁰. The trade liberalization has enlarged the markets for producers and derived productivity gains from competition both in the export sector and for import-competing industries.

Co-operative producers do not take advantage of new opportunities created by globalization. Only few marketing channels exist for many varieties of vegetables and fruits, for handicrafts, and for the wide range of innovative products the developing world has to offer. As domestic markets are limited, while overseas markets are inaccessible to the small producer, the levels of production, income and employment remain low. Meanwhile, the concept of "fair trade" is emerging.

Fair trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

Fair trade is born on the fact that huge inequalities exist between the earnings and affluence of the actual producers and the status of

Coffee, Co-operatives and Fair Trade

Since coffee cultivation was introduced to El Salvador over 100 years ago, its production and export has been dominated by a handful of wealthy leandowners who captured most of the profit. Much of the labor was supplied by landless workers, who suffered poor living and working conditions, lack of access to education, and few prospects for improvement. In 1980, the government of El Salvador instituted a land reform program to help these workers, who then formed co-operative organizations to share the costs and benefits of coffee production. Shared profits from coffee production go towards funding a community school and store in Las Lajas. One of these co-operative is located in Las Lajas, located in the western region of El Salvador, in the Municipality of Coatepeque, Department of Santa Ana. The population in this section of Coatepeque is just over 3000; 245 of whom are members of the Las Lajas Co-operative (200 men and 45 women). The Las Lajas Co-operative was established in 1980 and became affiliated with FESACORA* in 1984.

Currently the co-operative comprises 843 hectares of land - of which 607 hectares are devoted to coffee cultivation. The Las Lajas co-operative exports its coffee through UCRAPROBEX (the Union of Agrarian Reform Co-operatives of Producers, Processors and Exporters of Coffee). This organization was formed in 1988 by Salvadoran co-operatives in order to serve as their licensed export agent. Ninety percent of the coffee grown in Las Lajas is exported to the United States - the other 10 percent is exported to Germany. The Las Lajas Co-operative has brought to the community many basic services, and continues to make social investments to improve the lives of all the people living there thanks partly to profits realized from Fair Trade arrangements with U.S. and European customers. However, since most of the coffee the Las Lajas Co-operative sells is on the open coffee market, recent low prices are constraining profits and therefore community investments the Las Lajas Co-operative can make this year.

Coffee farmers in Las Lajas benefit from Fair Trade and a strong co-operative organization that has improved the standard of living for all members of the community.

*FESACORA is the Salvadoran Federation of Agrarian Reform Co-operatives, a network of agricultural co-operatives. It consists of 13,598 individual members grouped in 118 democratically managed co-operatives in El Salvador. It represents the interests of these farmers and their co-operatives in fighting for legislation conducive to small-scale growers of coffee and other crops, and provides training and other assistance for co-operative staff.

³⁰ Report V (1), *Promotion of cooperatives*, International Labour Office, Geneva (2001).

the final buyers. It sets new social and environmental standards for international companies and demonstrates that trade can indeed be a vehicle for sustainable development. One objective of Fair trade is to benefit the artisans they work with, not maximize profits. For instance, by reducing the number of middlemen and minimizing overhead costs, Fair Trade Organisations (FTOs) return up to 40 percent of the retail price of an item to the producer. Co-operatives are privileged actors of the fair trade because of their values and principles. FTOs work with producer co-operatives that use democratic principles to ensure that working conditions are safe and dignified, and that producers have a say in how their products are created and sold.

With Fair Trade, every woman and man can make a difference, doing something they do anyway – drinking a cup of coffee or glass of wine, eating a banana or bar of chocolate. That is why Fair trade is so popular and why it is growing so fast.

Those elements prove the opportunity for co-operatives to reach new markets. May be it is time to use such experience and help producers of co-operatives in the South to sell their products in the context of fair-trade emergence.

In September 2003, in his address at the International Co-operative Alliance General Assembly, Director-General of ILO was wondering if it “would be a dream to think that in the future every co-operative of developed countries would have a partnership with a developing world co-operative”. And he added, “that would create the most impressive global network of enterprise-to-enterprise cooperation! And it would provide a huge boost to the achievement of the goals of the UN Millennium Summit drive to cut extreme poverty by half by 2015”. It is not dream as the MIGROS-funded project shows. Financed by the Federation of MIGROS Co-operatives of Switzerland, this co-operative development project will assist 3 000 tribal families in 30 villages in Orissa, India. It will create decent jobs and will strengthen their community organisations. The project is supervised by the INDISCO Programme of the ILO’s Cooperative Branch.

The new context created by globalization could be used to design and implement a “twinning project” between North co-operatives or other type of enterprises and South co-operatives. The aim would be to help producer organisations in the South to establish fair, mutually beneficial commercial relations with their counterparts in the North. The project would be implemented in a given geographic area (in Africa, Asia or Latin America) to optimize the use of resources. It would help co-operatives and similar organisations in the South to use trade opportunities allowed by globalization and fair trade and so to create or widen their field of export.

Figure 4: Fair Trade in Europe 2001

	Austria	Belgium	Denmark	France	Germany	Italy	The Netherlands	Switzerland	United Kingdom
Importing organisations¹	7+	4+	3+	8+	5+	5+	27	6+	6+
Retails channels									
World Shops	68	250	15	88	700	374	400	300+	400+
Supermarkets	1 540	1 050	2 740	2 410+	19 300	2 620+	2 200	2 100+	3 100+
Others	1 370+	400+	n.a.	n.a.	6 200+	230+	2 800	360+	4 770+
TOTAL sales outlets	3 000+	1 700+	2 750+	2 500+	26 200+	3 200+	5 400	2 760+	8 270+
Turnovers, in 000 Euros									
Import. Organisations	6 500+	8 100+	1 300+	3 100+	34 600+	9 400+	17 100+	10 100+	24 600+
World Shops	4 900	n.a.	400+	3 400	n.a.	n.a.	20 400	n.a.	8 400
Net retail value ²	3 100	5 000	8 050	3 200	66 500	6 700	34 000	40 900	36 600
TOTAL turnover	14 500+	13 100+	9 750+	9 700+	101 100+	16 100+	71 500+	51 000+	69 600+
Public awareness of Fair Trade									
Knowledge of label	30%	36%	36%	n.a.	91%	n.a.	74%	60%	16%
Market shares, in %									
Labelled coffee	0.7	1.0	1.8	0.1	1.0	0.1	2.7	3.0	1.5
Labelled tea	0.7	n.ap.	1.8	0.03	2.5	0.7	0.7	4.0	1.0
Labelled bananas	n.ap.	0.6	2.0	n.ap.	1.0	1.2	4.2	15.0	1.0

Source: Fair Trade in Europe 2001, European Fair Trade Association.

Note:

All figures marked with a "+" (plus sign) at the end are well documented minimum figures. As part of the information is not available, the real figures are higher.

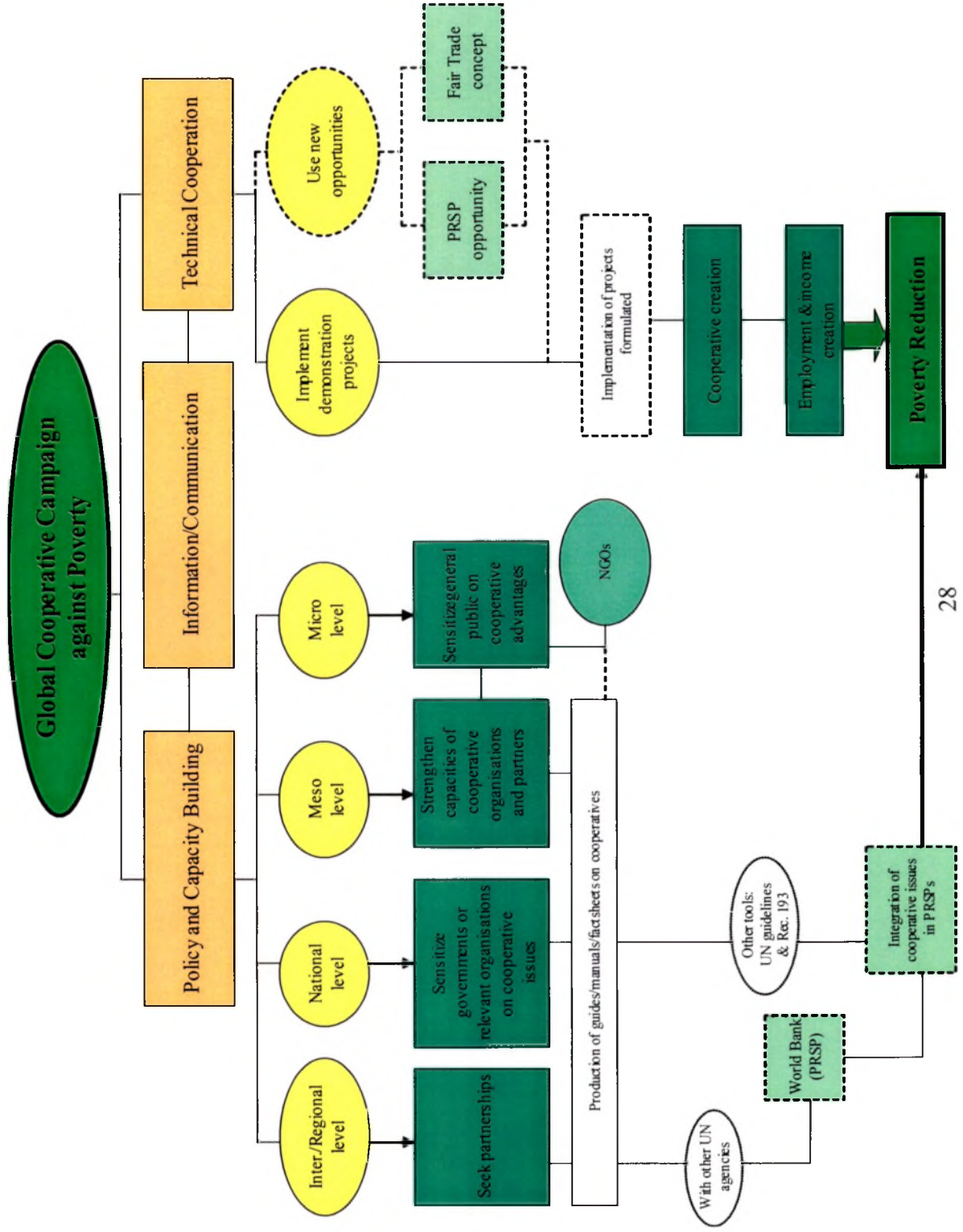
¹The number of importing organisations present in the country

²The net retail value under the label initiative's name gives an estimate by the labelling organisation as to value of all products sold under its label in its national territory.

n.a.: not available; n. ap.: not applicable.

All data were collected between July and November 2000 and give the latest available figures.

Figure 5: Logical Framework



Co-operative Case Studies

Conclusion

Halving extreme poverty by 2015 is a huge task. To achieve it, we cannot afford to waste time and money in tools or projects that we are not sure about their efficiency. The co-operative enterprise is an organisation form that has ~~proven~~ its relevance in the field of employment and in the fight against poverty. It is a means whereby citizens can assure themselves appropriate and affordable housing, utilities, infrastructure, health and social services.

Co-operatives help poor people to gain the economic weight to make their views heard. Only by these means are the poor able to exert some influence on national policies relevant to their condition. That is the reason why the co-operative enterprise is one of the rare instruments having the full support of the international communities through the United Nations system. This recognition and reaffirmation is manifested by numerous international texts specific to co-operatives and the bi-annual publication of the UN Secretary-General's report on co-operatives.

The Global Co-operative Campaign is based on this international support. It will give to co-operatives the opportunity to make a significant contribution to the achievement of the MDGs by concretising such support in enabling poor people *to cooperate out of poverty*.

really?
(Kfeash)



International
Labour
Office
Geneva



COOPERATING OUT OF POVERTY :

THE GLOBAL COOPERATIVE CAMPAIGN AGAINST POVERTY

Fisherman on the Niger river. Niamey.

Sponsored by the International Cooperative Alliance
and the International Labour Organisation



Bureau
international
du Travail
Genève



COOPERONS CONTRE LA PAUVRETE: CAMPAGNE MONDIALE DES COOPERATIVES CONTRE LA PAUVRETE

"Coopérative de femmes dans les carrières de Mtongani (Dar Es Salaam), un projet de champignonnière et de poulailler gérés sous forme de coopérative, proposé comme alternative à la casse des pierres qui était l'activité principale des femmes du quartier."