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INTERNATIONAL CO-OPERATION

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**Visit the ICA Web site at:
www.ica.coop**

for information on the International Co-operative Alliance and details of its rules, structure, activities and sectoral organisations.

Data is also available on the history and current information about the international movement, co-operative publications and co-operative issues. Additionally, there are links to websites worldwide in all sectors of the economy, sites on international organisations and business information of interest to co-operatives.

Opinions expressed in this publication are not necessarily those of the leadership and management of the ICA.

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Review of International Co-operation

Vol. 98 No 2/2005

Editor: Garry Cronan

Contents

Introduction: Iain Macdonald	3
Invitation: Carlos Palacino	5
Report on ICA Activities 2003-2005.	6
General Assembly	
Agenda	11
Schedule of Meetings	13
Highlights of General Assembly	15
Draft Minutes of ICA General Assembly, Oslo, Norway, 4 September 2003	18
Information on Candidates for Election to ICA Board and Audit and Control Committee at the General Assembly	27
Rochdale Pioneers Award	35
Resolution for consideration by the General Assembly	36
Foreword to Background Paper, Dr Ian MacPherson	43
Background Paper: Co-operative Principles Ten Years On, Dr Johnston Birchall	45
Overview of the Colombian Co-operative Movement . . .	44





Introduction

It does not seem like two years since the last General Assembly in Oslo in September 2003. That Assembly was seen as something of a landmark endorsing as it did the findings of the Task Force which had been set up by the previous General Assembly in Seoul. Those findings have quietly but firmly imposed themselves on every aspect of ICA and much of what will be discussed at our forthcoming General Assembly in Cartagena is influenced by that process.

So this edition of the *Review* is in effect a glorified agenda for what promises to be a very exciting week of co-operative activity in Cartagena, Colombia. For our Colombian hosts this is a unique occasion. It is the first time that our Assembly has been held in South America and puts firmly in the forefront, the tremendous work being done by South American co-operators. This fascinating continent has a very strong movement with a huge variety of co-operative enterprises. And from a Colombian point of view the review gives a very clear and in-depth account of the socio-economic position of this country, as well as specific detail of the Colombian co-operative sector. Of course Saludcoop as one of the country's main health providers is also the country's second biggest employer. Its President, Carlos Palacino is also Vice



Iain Macdonald

President of ICA global and President of our Americas region. As Chair of the Assembly organising committee, I know we are in good hands!

Dr Johnston Birchall has been asked to prepare the background paper - *Co-operative Principles Ten Years On*. I know this will help to galvanise debate during the week and it seems timely to look at what has happened in the 10 years since Dr Ian MacPherson presented his reworked Values and Principles. Co-operation relies on constant evaluation, reinvention and promotion to stay at the forefront of social and economic debate and, looking at what has happened over those last 10 years, this has certainly been the case.

The theme of this year's General Assembly is *Co-operative Values: A Competitive Asset in a Globalised Econ-*

omy. With the provision of some 100 million jobs it is clear to me that the co-operative movement more than holds its own in the world economy. However this is not necessarily recognised by international organisations and governments, or indeed by the international business community itself. Building on Dr Birchall's paper therefore, our Assembly is geared to showing that not only is co-operative enterprise a competitive form of business, it is especially well suited to working in the global environment. Our unique blend of social and economic factors is to many the solution which answers many of today's problems. The business session on global solidarity for instance will show how our Global Campaign against Poverty - *Co-operating Out Of Poverty* is making a real difference. In contrast, our session on *A Level Playing Field for Co-operatives in Competition* will discuss how we can compete successfully in any business environment.

During the week there will be a variety of different events. Most of our sectoral organisations and thematic committees have meetings and seminars. The CICOPA World Conference will take place as well as a session describing the new Co-operative Learning Centre. An examination of the benefits of micro-finance, particularly for women, will be discussed; especially remembering that this year's Co-operative Day message was *Micro Finance Is Our Business!* And of course there is a two-day youth conference - now a major feature every two years and building on the success of the global youth network.

As a co-operative organisation, democratic elections are an essential feature of our governance and this year is no exception. Every four years we elect our President, Board and Audit and Control committee. I am pleased to say that we have a very healthy number of nominations for these positions. Elsewhere in this Review you will find essential details on the candidates and how to exercise your votes. Please ensure that you do this. The actual election itself will take place during the Assembly on Friday, September 23 and although we have an exciting programme during our opening sessions the day before, our statutory business, including the elections, will be a very important guide to our work over the next two years.

This year also sees a record number of nominations for the Rochdale Pioneers award. Instituted in Seoul at our 2001 General Assembly, this award recognises the achievements of co-operators throughout the world. This year's selection committee and the Board face a very difficult task to choose between the nominees listed here. A decision will have to be made although it is an achievement in itself to be nominated. Congratulations to all!

Whatever your interests there is bound to be something which will appeal to you during our week in Cartagena.

Please enjoy!

Iain Macdonald
Director General



Invitation from Colombia, the host for the International Co-operative Alliance's 2005 General Assembly

A country with faith in the co-operative movement

Carlos Palacino Antía
President of ICA Americas

Colombian Confederation of Cooperatives
Chairman – Confecoop



From the 17th to the 24th of September 2005, the International Co-operative Alliance, ICA, will be celebrating its General Assembly in Cartagena de Indias, Colombia. This occasion represents a huge responsibility but also a great opportunity for Colombia and its co-operative movement to demonstrate to the world the natural wonders of our land, the humane quality of our people and to present a favourable image of a striving country in permanent development and the economic and social advances gained by the Colombian co-operative movement, whose traditions, judicial development and entrepreneurial progress make it stand out within the Latin American context.

In order to better acquaint the co-operative world with our country, its culture and its socio-economic surround-

ings and to promote the presence of an important group of leaders and decision-makers in the ICA's Global Assembly, we've prepared information, see page 64, that contains not only general information on Colombia, but also some revealing aspects of the co-operative sector and its importance to social and economic development.

We hope that many of you will decide to join us in Cartagena to debate the various topics of interest to the co-operative movement, and also to experience our reality first-hand and to witness everything the Colombian co-operative movement does to improve the standards of living of millions of Colombians.

Report on ICA Activities 2003 - 2005

Task Force

The main thread running right through the work of the ICA over the last two years has been that of the task force. Set up by the 2001 Seoul General Assembly, its impact has been quite considerable although many of its aspirations have still to be achieved. Regionalisation, membership and governance could be said to be the main issues identified by the Task Force and in each case there have been changes made.

- everything the Task Force said was qualified by its most fundamental point, that ICA was a global entity of which its regions were an important part. *Regionalisation* however, and decentralisation which it implies, continue to be developed with specific powers now part of each region's constitution
- *membership* of the last two years has varied both in numbers and amount of subscription. Although a degree of stability has been recognised, there is still concern regarding the lack of attention given to the agreed criteria for payment. A working group is

looking at how to resolve this problem without threatening our income base.

- An independent *governance* group has been set up to recommend changes resulting from all these issues identified by the task force. An interim report will be made to the 2005 General Assembly and its work will continue after that as well.

International standing

Much of ICA's work is aimed at raising the profile of international co-operation to our links with international organisations and governments. During this period considerable progress has been made, particularly through:



ICA President Ivano Barberini and ILO Director-General Juan Somavia celebrating the achievements of the MOU

- The Committee for the Promotion and Advancement of Co-operatives (COPAC). ICA provides coordination for COPAC which allows us considerable access to the higher echelons of the UN and its agencies. Recently COPAC has expanded its membership and worked closely with ICA in the field of co-operative development, particularly in reacting to the tsunami disaster.
- In 2004 we signed a Memorandum of Understanding with the International Labour Office. This has led to a dramatic increase in activity with ILO. In particular we have established a joint campaign against poverty showing how co-operative enterprise provides practical solutions in alleviating poverty. In addition strong links have been established with the Youth Employment Network and it is hoped to develop a project on conflict resolution showing again the potential benefits of co-operative enterprise.
- We also have a Memorandum of Understanding with the Food and Agricultural Organisation. Having spent much of the last two years trying to persuade them not to cut back on their co-operative commitments, we have now agreed to second a member of staff to their operation. This has been done with the co-operation of NACF in Korea who will provide an appropriate person. This will also ensure that agricultural co-operatives will continue to feature prominently in the affairs of FAO.

- Similar discussions have been held with UN Habitat which will lead to a stronger relationship with ICA Housing.

Further work has been carried out with the World Bank, UN Aids and of course we continue to provide support for International Co-operatives' Day.

Regional offices

Regional offices have been very active during this period having run very successful regional assemblies as well as a variety of different conferences, training sessions and political lobbying. Each have established a new set of rules as designated by the last General Assembly and this has helped with establishing their executives as constitutional entities within ICA. They now have agreed functions which help with the decentralisation process. In particular ICA Europe now has offices in Brussels rather than Geneva. This is particularly important at a time when the EU is expanding and co-operative influence is needed at its centre. They have currently established an operating platform called *Co-operatives In Europe* which is geared to this end.

Dotcoop

From a very inauspicious beginning .coop has emerged over the last two years to become a genuinely strong identity for the international cooperative movement. The recent purchase by Oxford, Swindon and Gloucester Co-operative Society of the registration business has ensured that this initiative is now safeguarded for the movement itself. Talks are now under way to allow the regional offices of the

ICA to become registrars and resellers in their own right.

Development

The nature of our development work has been evolving over the last two years. In working closely with our regional colleagues and our development partners, we are developing policies which more properly reflect the nature of our movement and our resources. This means more integration with our partners and providing services from the regions to those partners which complement each other. We have seen the emergence of the UK movement as a new partner in development particularly with the Co-operative College and its work with DFID. The aim is to have properly planned development programmes in which all partners, regions and the ICA are

involved with clearly defined roles.

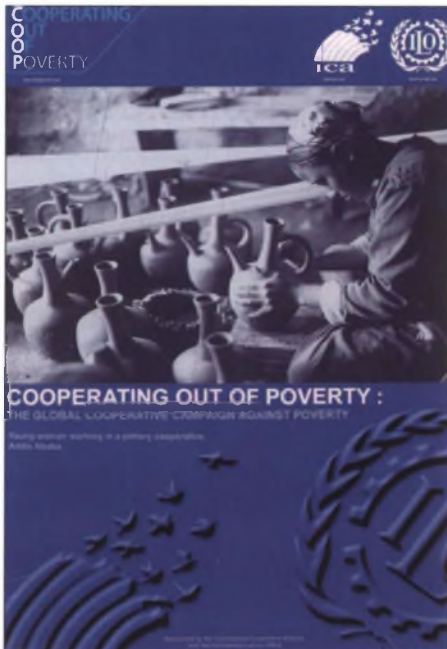
An example of good practice in this area includes:

- *Campaign against Poverty.* Announced in Oslo this joint campaign with ILO has recently linked up with The Global Call to Action against Poverty, indeed ICA is represented on the global steering committee. ICA brings a much-needed practical purpose to the campaign showing how co-operative based businesses will bring not only self-help, self-responsibility and solidarity, but the much vaunted democracy. Only co-operatives advocate democracy in business without which challenges the vicious circle and downward spiral of poverty, partly caused by the emphasis on capitalist business.

Communications

There has perhaps been more advance in this area than in any other. Two years ago there was little in the way of communication with our members, but all this has changed with the appointment of our communications manager and the introduction of the Weekly Digest. Now produced in six languages this has been an undoubted success and much overdue. The challenge is now to build on this. Having improved internal communications in this way, the next step is for improved external communication. To this end a number of initiatives are under way and planned:

- a global co-operative business review on a quarterly basis



ICA Digest
2 July 2001

2005 International Co-operative Day - 2 July

"Microfinance is our business - co-operating out of poverty"

How large are the world's largest co-ops?

Read more about our Global 300 Project

- publication of the top 300 co-operatives
- refurbished web site
- proactive Communications committee

Sectors

The Task Force identified work with our sectors as being of crucial importance. Work has been ongoing to improve the relationship between the sectors themselves, the regions and head office. We are now in the process of establishing and reworking contracts with each, so that roles are clearly understood and identified. One of the important objectives is to clarify services which are delivered by the sectors to the movement as a whole, and how the sectors fit into the overall policies and programmes of

global ICA and its regions. In the last two years, a workgroup has identified the way forward which has included an annual meeting with the ICA board itself. These issues will of course also be considered by the Governance Working Group.

Thematic committees

- Research, Gender Equality, Communications and Human Resource Development have each in their own way carried out important work in the last two years. The Task Force clearly separated these committees from the sectors and head office, regions and sectors should consider thematic committees as part of their service provision. Indeed their constitutions should reflect this. At the moment each operates separately from one another and its constituents, and this will be part of their own reviews.

Youth

A Global Youth Network has emerged over the last two years and a commitment was made at the Oslo assembly to extend its operation. As a result young people are now represented on the ICA Board and plans are underway to extend this to the regions.

Conclusion

In the last two years I have visited over 24 countries. This represents an effort by the ICA Secretariat to make more serious contact with our members and to respond to their wishes. Indeed our President in his ambassadorial role has visited considerably more countries and I think this has been appreciated in general and reflected in the more

stable position which ICA finds itself in today.

However visiting countries and members cannot be an end in itself. There must be a result from such visits and formal action taken to ensure benefits emerge. A balance must also be struck between the benefits to be made and the resources used to that end.

The visits to the tsunami countries is an example of where I feel proper use was made of resources and time. It is hoped that those countries will indeed have benefited from an input of

expertise and resources in reconstructing their co-operative movement. However to see the movement flourishing in all corners of the world, both rich and poor, and in those afflicted by poverty and conflict, is incredibly moving and convinces me of the inevitability of our success. Our main job is to convince the outside world of this as well.

Iain Macdonald
Director-General



ICA GENERAL ASSEMBLY

**“Co-operative values:
A competitive asset in a globalised economy”
Hotel Hilton, Cartagena de Indias,
22-23 September 2005**

Agenda

Thursday, 22 September

09:00-12:30

Opening

- Mayor of Cartagena
- Carlos PALACINO, President of the Colombian Co-operative Confederation, ICA Vice-President for the Americas
- President of the Congress, Colombia (invited)
- José Antonio OCAMPO, Under-Secretary General for Economic and Social Affairs, United Nations
- Sergio PÁEZ VERDUGO, President of Inter-Parliamentarian Union - IPU (invited)
- Ivano BARBERINI, ICA President

Keynote presentations

- Ten Years On: Co-operative Principles Driving Success
Johnston BIRCHALL, United Kingdom
- Co-operatives: Competitive Business Models
Alban D'AMOURS, President of Desjardins Group, Québec, Canada
- Social Responsibility and Values Driving Mainstream Business Success
- Co-operatives Making Fair Globalisation a Reality
José Manuel SALAZAR-XIRINACHS, ILO Executive Director

12:30-14:00 Lunch break

- 14:00-18:00 **Business fora** (parallel sessions)
- 14:00-16:00 • Best Practice of Successful Co-operative Business
- A Level Playing Field for Co-operatives in Competition
- 16:00-18:00 Global Solidarity: Co-operating out of Poverty
- Co-operative Innovation: A Sectoral Perspective

Friday, 23 September

- 09:00-12:00 **General Assembly Statutory Business**
- Approval of the Agenda
- Approval of the Minutes of the General Assembly, Oslo
- Reports to the Membership from the
- Audit & Control Committee
- President
- Director-General
- Independent Auditor
- Election of ICA President, Board members and Audit & Control Committee members: introduction of candidates and voting
- 12:00-14:00 Lunch break
- 14:00-17:00 **General Assembly Statutory Business** (cont'd)
- Election results
- Report from the Governance Working Group
- Motions and Resolutions
- Presentation of the Rochdale Pioneers Award
- Invitation to the next General Assembly
- Any other business
- Closing of the GA Statutory Business
- 17:00-17:30 **Closing Address by Alvaro URIBE, President of Colombia**
- 17:30-18:00 **Meeting of the newly elected Board**
- 19:00-22:00 **Farewell Dinner**



ICA GENERAL ASSEMBLY AND RELATED MEETINGS

Hotel Hilton, Cartagena de Indias, 17-23 September 2005

Schedule of events

Saturday 17 Sept	09:00-18:00	Regional Directors' meeting
Sunday 18 Sept	09:00-10:30	Global HRD Executive Committee meeting
	11:00-18:00	CLC planning workshop (Global HRD meeting)
	09:00-18:00	Youth Conference
	09:00-18:00	ICA Housing meetings
	11:00-12:00	Gender Equality Executive meeting
	14:00-18:00	Gender Equality Plenary meeting
	15:00-18:00	Audit & Control Committee
	14:00-18:00	ICACC meeting
	14:00-18:00	CICOPA Executive and General Meeting
Monday 19 Sept	15:00-17:30	Development Committee
	09:00-12:00	CLC planning workshop (Global HRD Committee)
	09:00-18:00	Youth Conference
	09:00-18:00	CICOPA World Conference
	09:00-18:00	IHCO meetings
	09:00-13:00	Governance working group
	09:00-12:00	President's Committee
	12:00-14:00	DotCoop Board meeting
	14:00-18:00	ICA Board meeting
	14:00-18:00	ICBA Executive meeting
Tuesday 20 Sept	09:00-12:00	CCI Workshop and General Meeting
	09:00-12:00	ICBA Seminar
	09:00-12:00	ICAO meetings
	09:00-12:00	IHCO Europe
	09:00-12:00	TICA meeting
	09:30-13:30	ICFO meeting (incl. lunch)
	09:00-12:00	ICA Board meeting

	14:00-18:00	ICA Board & Sectoral Organisations' chairs meeting
	18:00-19:00	New members' reception
Wednesday 21 Sept	09:00-12:30	The CLC: a new portal to co-operative knowledge and training
	09:00-12:30	Micro-finance is OUR business
	09:00-18:00	Free trade: a challenge for co-op enterprises and their integration in the Americas
	14:00-16:00	Top global 300 co-operatives
	14:00-18:00	Co-operative integration of agricultural marketing
	15:00-19:00	Standing Committee of Asia/Pacific
	19:00	Welcome Reception
Thursday 22 Sept	09:00-12:30	General Assembly Opening and Keynote Presentations
	14:00-18:00	Business Fora
	18:00-19:30	.Coop Celebration - The First Four Years!
Friday 23 Sept	09:00-17:00	General Assembly Statutory Business
	17:00-17:30	Address of Mr. Alvaro Uribe, President of Colombia
	17:30-18:00	Meeting of the newly elected Board
	19:00	Farewell Dinner

Meetings in blue: on invitation only

Meetings in red: open to General Assembly registrants only

Meetings in black: open at the chair's discretion



Highlights of General Assembly and other Cartagena Events

More than thirty events will take place in the week of the General Assembly.

The first few days of the week are taken up with meetings of our sectoral organisations and thematic committees. The ICA has nine global sectoral organisations, eight of which are meeting or holding conferences in Cartagena. A special youth conference is also being held. During this time the ICA Board and various other internal committees, including its Audit and Control Committee, the Governance Working Party and the Development Committee will also be meeting.

Wednesday 21 September has been set aside for a series of special interest seminars. Sessions are planned on topics as varied as microfinance, the new online co-operative education and training portal, co-operatives and trade in the Americas, supply chain management for co-operatives, and a briefing on the ICA's new top 300 global co-operatives project. We are sure there will be something of interest for you from among this variety of topics.

The General Assembly itself will be held on Thursday 22 September and

Friday 23 September. It is promising to be one of the largest and most interesting to date. It will of course be the first General Assembly to be held in South America.

We have listed below some of the expected highlights of the week.

- CICOPA, the International Organisation of Industrial, Artisanal and Service Producers' Co-operatives, is holding its Sixth World Conference on 18 September on the theme of *The Contribution of Worker and Artisanal Co-operatives to Local Development*. The Conference will emphasise the need to acknowledge that co-operative development and local development are interrelated. New trends will be examined, such as the management of social services by co-operatives and the transformation into co-operatives of industrial enterprises in crisis. The impact of those phenomena on integrated local development, including sustainable employment and social inclusion, will be analysed. It will make a strong plea to implement the necessary financial means, training and partnership.

- A special Global Youth Co-operative Conference will be held on 17-19 September. A large number of youth participants are expected to attend. A full programme has been developed by representatives from the ICA's Youth Network. It is expected that many of the youth conference participants will also attend the General Assembly as observers.
- Microfinance is the focus of one of the special interest seminars on Wednesday 21 September. This seminar is being organised by the ICA Gender Equality Committee. It will highlight the experiences of co-operatives in the provision of microfinance with a focus also on women. It will present the variety of microfinance schemes around the world and show the impact of these schemes in improving the economic and social well-being of women and men around the world. A keynote speaker from the Secretariat of the UN International Year on Microcredit has been invited to open the session and provide an overview of the scope and impact of microfinance. A series of co-operators will then share their experiences in microfinance. Speakers from Asia, Africa, Europe and the Americas will provide information on microcredit schemes operating in their regions. The event is open to all participants of the ICA General Assembly.
- Another of the special interest seminars will be on the ICA's Global 300 project. It is proposed to release the first ever ranking of the top co-operative businesses in the world. Pre-

liminary estimates suggest that the largest 300 co-operatives are a very real and significant global presence. The aggregate turnover is much larger than expected and they are leaders in many market segments and countries. Over 26 countries are represented on the global list so far. Many of the Global 300 have been competing and growing for at least fifty years, they are some of the oldest and most competitive businesses in the world and they represent the tip of the iceberg of co-operative enterprise throughout the world. This project is designed to show the world the importance of co-operatives, by highlighting the size and economic significance of the largest co-operatives.

- A series of keynote presentations will be a feature of the first day of the General Assembly. A specially commissioned background paper *Co-operative Principles – Ten Years On* will be presented. Other invited speakers in this important session of the General Assembly will focus on how co-operative values are driving business success. Co-operatives are not along in putting values at the centre of their business model – mainstream business is increasingly embracing such approaches through the popularity of Corporate Social Responsibility. What does this mean for co-operatives? This is the focus of the third keynote presentation. Finally the role of co-operatives in helping to create a fairer globalisation will be the topic of the last of the keynote speakers. These presentations will set the stage for the

detailed business sessions of the Assembly which follow.

- The business sessions of the assembly are designed to explore in detail topics of interest to members. This year there are four sessions. They are:
 - *Best Practice of Successful Co-operative Business* This session will build and expand on the keynote presentations and include presentations from four CEOs of the top 300 global co-operatives. They will outline in very practical terms why their co-operative is succeeding. Several of these co-operatives are delivering year on year growth – they are succeeding and doing something right!
 - *A Level Playing Field for Co-operatives in Competition* Co-operatives are often disadvantaged when governments and international institutions develop legal and regulatory frameworks. This session will examine amongst other issues International Accounting Standards, the World Trade Organisation attitude to co-operatives, Mercosur-EU activities in relation to co-operatives and more general trends and issues associated with legislation and lobbying.

- *Global Solidarity: Co-operating Out of Poverty.* The vast potential of co-operatives in contributing to reducing poverty can only be effectively exploited if we succeed in harnessing the financial and ethical strength of the world co-operative movement. The tsunami experience and the overwhelming response from the co-operative world to the ICA's appeal to help the stricken members and societies rebuild their lives, has shown the potential of co-operatives to alleviate suffering. This session on *Global Solidarity: Co-operating out of Poverty*, will give us an opportunity to learn about the tragedy and what has happened since that fateful day from co-operators in Indonesia and Sri Lanka.
- *Co-operative Innovation: A Sectoral Perspective* This session will feature outstanding examples of innovation from several different industry sectors, including rural electricity co-operatives in South America, the exciting new phone co-op from the UK and a remarkable worker co-operative. Taken together they provide important lessons on why some co-operatives are able to embrace an innovative culture and compete successfully against often larger for profit companies.

INTERNATIONAL CO-OPERATIVE ALLIANCE General Assembly – Oslo – 4 September 2003

Draft Minutes

1. Opening

The ICA President, Mr. Ivano Barberini wished all a warm welcome to the General Assembly 2003 and called the General Assembly to order.

Before turning to the business at hand, the President asked the Assembly to stand and observe a minute of silence in recognition of the following co-operators who had passed away: Mr. Masao Ohya, Mr. Erlender Einarsson, Yashitada Nakaoka, Mr. Alexandr Krasheninnikov.

The ICA President announced that this Assembly was well attended with a total of 609 made up of 238 Representatives, 14.7% of which being women; 273 observers, with 12.8% women; 40 guests, 10 members of the press and 28 personal interpreters and 20 staff members.

2. Adoption of the Agenda

The President reminded the Assembly that the draft Agenda had been circulated to members as part of the Review of International Co-operation.

There being no proposed changes the General Assembly approved the agenda by acclamation.

3. Draft Minutes of the General Assembly in Seoul 2001

The draft minutes were approved by acclamation.

4. Report of the ICA President

The President reported on his activities over the last year.

5. Report of the Director-General

The Director-General reported that it had been a productive year and that staff deserved credit as they had responded to the past problems in the best way – with a strong resolve and commitment.

His dealings with the President and the Board has also been positive and productive. The Board clearly wanted to promote the principles and values of global cooperation rather than dwell endlessly on financial problems. The DG said that the President was very able and that he was determined to see the world co-operative movement recognized for the great philosophy and business enterprise which it is.

The Seoul General Assembly decided to set up a Task Force to undertake a root and branch review of ICA. Its members were, Ivano Barberini, Paulne Green, Ousseynou Dieng, Glen Tully and Yehudah Paz. It met several times and its recommendations were reported to the Board earlier in the year. The Restructuring Report would show the end result of this, presented by Pauline Green.

The Director General went on to report that Recommendation 193 had been adopted. This called on all Governments to actively promote cooperative enterprise. He said that Recommendation 193 had become a clarion call for co-operators all over the world and was an extremely important milestone in cooperative history – not least in persuading governments of the need for good co-operative legislation and good co-operative governance.

Reporting on the progress of dotCoop, he said that cooperative organizations are recognizing its importance as emphasis of their special identity as a cooperative enterprise. He encouraged those member organizations who were not yet using .coop to do so and encourage their members also.

Reporting on the Regions, the Director-General said that 2002 was used to consolidate and build.

In Africa we recognized that we must work with the UN and others in tackling the resurgence of HIV/Aids and look beyond that to better times. Successful events and training programmes on agriculture, gender and human resource development were carried

out as well as an excellent Regional Conference in Mauritius which was his first official function as ICA Director-General.

In the Americas work also continued with development partners and initiatives were taken in regard to credit and savings cooperatives, forestry and gender.

The Director-General reported that he had attended the Regional Conference in Ascunson, Paraguay which was a success and his first visit to South America.

In Asia and the Pacific a very successful Ministerial Conference was held in Nepal attended by our President and Jan Eirik Imbsen and during the year, and many events had been held with farmers, researchers, and bankers amongst others.

Reporting on the European region, Lisbon in October showed what great support we have throughout their country and also emphasizes that coops are not just for poor people. A lot of work was done in 2002 helping coops in Central and Eastern Europe re-establishing their positions. Several meetings took place with the European Union and an excellent housing conference held in Turkey.

The DG ended his report on a positive note saying that Regions and Head Office function with the minimum of resources, however a lot is being done and that he could commend that co-operation is on the move. He reported that co-operatives provided 100 million jobs throughout the world – much more than all multi-national

corporations put together. In all this travels he has encountered tremendous enthusiasm for the philosophy of cooperation and its influence in business enterprise. He stated that we must use that for our advantage as well as for the people we represent.

The Director-General presented his report on the activities of the ICA based on the Annual Reports for 2001 and 2002 which had been distributed.

6. Report of the Independent Auditor

The Auditor in charge of Ernst & Young, Mr. Mark Hawkins commented upon the financial statements for the years 2001 and 2002. The consolidated statements for the two years present fairly, in all material respects, the financial position of the International Co-operative Alliance as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

7. Report of the Audit & Control Committee

The Chairman of the Audit & Control Committee, Mrs. Gun-Britt Mårtensson, commented upon the way the Audit & Control Committee had worked. She said that the financial affairs had improved since the General Assembly in Seoul and it was a good that ICA had been able to start rebuilding its reserves. She thanked the membership, the new leadership at ICA Head office and the staff. For a good future, she said, we needed to have a much better discipline among us, the membership fees must be paid, be paid

on time and be paid in accordance with the formula. For ICA, the base for a sound economy is the membership fee. She went on to say that financial stability is especially important today when the co-operative movement can and must play an important role in all kinds of societies, not least the developing ones.

Finally, Mrs. Mårtensson, on behalf of the Audit & Control Committee, submitted the recommendation to the General Assembly to approve the audited accounts for the years 2001 and 2002.

The General Assembly approved the ICA annual accounts for the years 2001 and 2002 and the report of the Audit and Control Committee.

8. Elections (Board and Audit & Control Committee)

The President said that two additional nominations had been received for the Board. These nominations had been reviewed by the Elections Committee and had been added to the ballot sheet. He also announced to the Assembly that in the case that Gun-Britt Martensson and Pal Bartus were elected to the Board they would stand down from the Audit & Control Committee. The candidates for both the Board and Audit & Control Committee presented themselves briefly, after which the Director-General explained the voting procedure as proposed and agreed by the Elections Committee.

The President told the assembly that the three Regional Assemblies had elected their Vice-Presidents as follows: Stanley Muchiri, the Vice-Presi-

dent elect for Africa, Carlos Palacino, the Vice-President elect for the Americas, and Pauline Green Vice-President elect for Europe.

The candidates to the Board were asked to come forward and introduce themselves.

- Mr. Deepak Prakash BASKOTA, National Co-operative Federation of Nepal
- Mr. Pal BARTUS, National Federation of Consumer Co-operatives and Trade Association (Co-op Hungary)
- Mr. Ousseynou DIENG, National Co-operative Union of Senegal (UNCAS)
- Ms. Elsa Gun-Britt Mårtensson, HSB Riksförbundet, Sweden
- Mr. Isami MIYATA, Central Union of Agricultural Co-operatives (JA Zenchu), Japan

The two candidates to the Audit and Control committee also presented themselves

- Mr. Shugo OGURA, Japanese Consumer Co-operative Union (JCCU), Japan
- Mr. Roy Berg PEDERSEN, Federation of Co-operative Housing Associations (NBBL), Norway

The Director-General then explained the voting procedure; each member organization had received the number of ballot papers based on the voting entitlement of each member organization calculated according to the ICA Rules. The Elections Committee decided that the Board members would be

elected by secret ballot, and the Audit and Control Committee members by a showing of the ballot papers as it was not a contested election. Election results would be announced after the lunch break after the count of the secret ballots which would be supervised by Mr. Jakub Janiak of the Audit & Control Committee.

The Assembly was then asked to ratify the elections of the 3 Vice-Presidents, Stanly Muchiri as Vice-President for Africa, Carlos Palacino as Vice-President for the Americas, and Pauline Green as Vice-President of Europe. The Assembly approved by acclamation.

The President then congratulated the three ICA Vice-Presidents.

9. Statement of the Youth Conference

Entitled "Through Co-operation, Another World is Possible", the statement indicated that the co-operative model can contribute to the eradication of poverty. It was the responsibility of large well-established Co-operatives to support the creation and growth of co-operatives in developing countries. The Youth Conference asked delegates to encourage the involvement of young people in their organizations.

10. Presentation of certificate to Jens Heiser

In recognition of his 12 years on the ICA Board, Jens Heiser from Germany was presented with a certificate by the President.

11. Report of Elections

The Director General reported that the following were elected to the Board

and the Audit & Control Committee:-

Mr. Pal Bartus, National Federation of Consumer Co-operatives and Trade Association (Co-op Hungary)

Mr. Ousseynou Dieng, National Co-operative Union of Senegal (UNCAS)

Ms. Elsa Gun-Britt Mårtensson, HSB Riksförbund, Sweden

Mr. Isami Miyata, Central Union Of Agricultural Co-operatives (JA Zenchu), Japan

12. Report and Recommendation of the Board on ICA Restructuring

Pauline Green presented the Report from the Board which was accepted by acclamation.

13. Rule Changes. These were presented by the Director General

Article 6 Eligibility

There should be three types of member organizations of the ICA

a) **Members** – These are the main types of organizations in membership with full participatory powers. Normally they are:

- National unions or federations of co-operative organizations
- National confederations of co-operative unions (Apex organizations)
- National co-operative business organizations with majority individual ownership
- International co-operative organizations

Exceptionally, they may also be:

- Regional federations or unions of co-operative organizations
- Individual co-operative organizations (of a multi regional nature)
- Educational, research and other institutions which promote co-operatives and are affiliated to the co-operative movement

b) **Associate** – These are organizations which are supporters of co-operatives or are owned and controlled by co-operatives.

c) **Sectoral** – The sectoral organizations are branches of ICA, and therefore all their members are affiliated to ICA as Sectoral members. Normally, those Sectoral members who are eligible will also be full members of ICA.

Members and Associate members shall pay an annual subscription in proportion to their economic activities or on the basis of the aggregate business activity of their members. Associate members should pay on a reduced scale.

Associate and Sectoral members do not have voting rights in ICA's global or Regional frameworks.

Article 8 Rights of Members

a) Remove "at the meetings"

Article 11 Subscriptions

Delete para e)

Article 12 Authorities

Add "Regional Elected Bodies" after "Board"

Insert new Article 17 "Powers of Regional Assemblies" after third paragraph on page 16:

d) Replace with “elect a President of the Region, who will also serve as ICA Vice President subject to ratification by the General Assembly, and elect a Regional Governing Body”

Article 19 Powers of the Board

Add – (new clause) “(a) to develop and monitor a global strategy for ICA”

(Renumber other clauses)

At end of i) “including Thematic Committees”

Add new Article 20 “Regional Elected Bodies”:

- a) A Regional Elected Body shall consist of a President, Vice Presidents and other members elected by the Regional Assembly for a four-year term. Vacancies shall be filled through election at a subsequent Regional Assembly or by co-option subject to ratification at a subsequent Regional Assembly.
- b) The Regional Elected Body shall be elected as decided by the Regional Assembly as long as it is within the Rules of the ICA

Add new Article 21 Competencies of the Regional Elected Body:

- a) To work within the policy guidelines and decisions laid down from time to time by the ICA Board
- b) To manage the affairs of the ICA at regional level between the meetings of the Regional Assembly
- c) To prepare the agenda and organize the meetings of the Regional Assembly

d) To reinforce member active participation

e) To promote sustainable co-operative regional development

f) To strengthen and expand regional sectoral organizations and Thematic Committees and ensure their co-operation with their global equivalent

g) To enhance the image of ICA and the co-operative movement within the Region, with national and regional institutions

h) To establish committees where appropriate

i) To provide recommendations on membership applications from its Region to the ICA Board

j) To implement and monitor activities and programmes financed by the Regions, sectoral organizations and ICA partners in collaboration with Head Office

k) To ensure regional finance and budgeting is strictly monitored and within the general guidelines of ICA

l) To approve the annual budget and work plan prepared by the Regional Director before submitting to the Director-General and ICA Board for final approval

New Article 22 Thematic Committees

Thematic Committees shall be based on functional or multi-purpose activities and shall receive support from the ICA, as mutually agreed. They will:

- a) Draw up their rules, which shall be approved by the ICA Board
- b) Report regularly on their activities to the ICA Board and General Assembly
- c) Have the right to propose to the ICA Board themes for discussion
- d) Establish a working collaboration with each other, where practicable and desirable
- e) Collaborate with the ICA Head Office and Regional Offices, where practicable
- f) Ensure that their regional committees are established, and operate, in conformity with policies established by ICA and its Regional Assemblies, with regional chairs represented on global committees
- g) Be entitled to one representative at General Assembly, with voting rights

Article 26 Director-General

Add new b) "Coordinate, monitor, evaluate and support the work of the Regional Offices"

Article 27 Responsibilities of Regional Offices

- Delete first paragraph
- Add at end of d)...."and support elected bodies"
- Delete penultimate paragraph

Section VI Sectoral Members

Article 28 Sectoral Organisations

Replace all after first paragraph with:

The ICA Board may establish or dissolve, and recognize or withdraw recognition from international Sectoral Organisations in such areas of economic and social activity of co-operatives as considered desirable.

The Sectoral Organisations shall:

- a) Draw up their Rules, which shall be approved by the ICA Board;
- b) Report regularly on their activities to the ICA Board and General Assembly;
- c) Be entitled to one representative at the General Assembly, who shall have full voting rights;
- d) Have the right to propose to the ICA Board themes for discussion;
- e) Be responsible to their members and seek to establish a working collaboration with each other, where practicable and desirable;
- f) Collaborate with the ICA Head Office and Regional Offices, where practicable;
- g) Ensure that their regional committees are established, and operate, in conformity with policies established by the ICA and its Regional Assemblies, with regional chairs represented on global committees;
- h) Self-finance their activities

Membership Application and Admission Requirements

Paragraph 7, delete and replace with:

"Member organizations having difficulty in paying subscriptions can

apply for leniency to the Director-General by 31 March each year as follows:

- a) Members may be granted one year's postponement of subscription payments provided that the outstanding debt is cleared.
- b) No member should be entitled to more than one year's postponement. If the above definition is not complied with, a final decision shall rest with the Board
- c) Organisations once expelled from the ICA for non-payment of subscriptions cannot re-apply for membership within five years unless their outstanding debts are cleared"

Subscription Formula

Delete 3 and 4 and replace with:

"3. Minimum subscriptions established by the General Assembly shall be 5,500 Swiss Francs

4. Maximum subscription as established by the General Assembly shall be 275,000 Swiss Francs"

Standing Order III

Representation at General Assembly

1. and 2. Replace "5000" with "5,500"

8. Add "associate", after "representative"

Standing Orders – Section VI. Specialised Bodies

Rename "ICA Specialised Organisations" as "ICA Sectoral Organisations" and "Thematic Committees" throughout.

Remove "8. INTERCOOP" AND "10. ICEO"

Replace "ICA Global Women's Committee" with "ICA Gender Equality Committee"

The Rule changes were agreed and the DG indicated that the new rule books would be published later in the year.

14. Resolution

The ICA Board proposed a resolution following the important discussions on co-operative development which had taken place during the Oslo Assembly. The Resolution read as follows:

"The 2003 ICA General Assembly,

AWARE of the changes, complexity and challenges of the global environment in which co-operatives operate.

REAFFIRMS its continued support to the RIO Co-operative Declaration and the belief in the co-operative principles and the co-operative form of organization in solving the problems of poverty and other social ills and in contributing to the achievement of the UN's Millennium Development Goals.

LOOKS FORWARD to working with the ILO in the implementation of the ILO Recommendation 193.

APPRECIATES the relevance of the theme of the General Assembly, Co-operatives for economic, social and democratic development, which underlines the role of co-operatives in development.

COMMENDS the active and leading role of the ICA in promoting co-operative development, and

WELCOMES the continued constructive partnership with ICA's development partners, and

REMINDS members and partners of the important role of women and youth in all development activities and the need to include a gender perspective when addressing co-operative development,

ASKS members and partners to push governments, international donor organizations and other development agencies to contribute more to co-operative development.

CALLS ON its member organizations in the industrialized world to give renewed attention to the way in which they can rally the support of their members in promoting development in the developing world.

DECLARES its resolve to actively support ICA's development programme and the campaign against poverty"

The Assembly approved the resolution by acclaim.

15. Venue of next meeting

The President then announced that an invitation had been received from the Colombian Co-operative Movement to hold the next General Assembly in Cartagena, Colombia, and encouraged the Assembly to accept. A presentation by Carlos Palacino was then projected.

The Assembly then accepted the invitation unanimously.

16. Closing

The President then said that the time

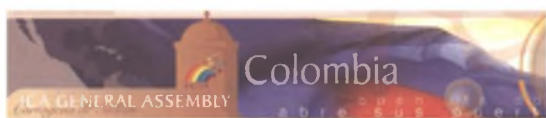
had come to bring the General Assembly to a close. He, on the Assembly's behalf expressed great appreciation to our hosts – Coop NKL, NBBL, the Norwegian Federation of Co-operative Housing Association and Norsk Landbrukssamvirke, the Federation of Norwegian Agricultural Co-operatives for their tremendous efforts. The efficient arrangements enabled a successful meeting. The President thanked Steiner Dvergsdal and his organizing committee for their hard work.

The President also thanked ICA staff for their hard work in making the event a success. Thanks went also to the interpreters who had facilitated the discussions and assisted during the meeting.

The members were also thanked for coming to Norway in such large numbers. The President stated that it was only through their continued support that ICA could carry out its role – and was thanks to them that ICA existed. The President ended the Assembly by saying that the future of co-operation was in our hands and asked that we join together to make the co-operative difference to members, our communities, our nations, our regions and the world.

The President announced that the Rochdale Awards would be presented at the Gala Dinner later that evening, outgoing Board members would be recognized and an award would be given for the best .coop website.

Board members were asked to stay on in the hall for a brief meeting.



ICA General Assembly 2005 Cartagena (Colombia) Information on Candidates for Election

President – Board – Audit & Control Committee

(Name of Candidate, Nominating Organisation, Country)

Candidate for ICA President

BARBERINI Ivano, Legacoop, Conf-cooperative, AGCI, Italy; NCUI, India

Mr. Barberini was elected as ICA President at the General Assembly in Seoul in 2001 and has over 40 years experience in the co-operative movement. Mr. Barberini began his co-operative career in the consumer co-operative sector and served as President of Legacoop, a multisectoral organisation representing over 10,000 co-operatives with more than 5 million members, from 1996 to 2002. During his career, Mr. Barberini has worked closely with European and international movements promoting Co-operative values and principles, and has also been involved in solidarity actions for developing countries and emergency aid.

Candidates for ICA Board (listed in alphabetical order by-surname – 15 to be elected)

ARIKAMA CHABI Mouhamadou, FECECAM, Benin

ARIKAMA CHABI Mouhamadou is

the Executive Secretary of FECECAM Benin which is a microfinance co-operative institution in West Africa. He is a bank official and economist and started working in a savings and credit cooperative in 1994. This network now has 430,000 members and has offices in the whole country. The level of mobilized deposits reaches 68 million US dollars. As a financial system, they have links with the whole co-operative structure of Benin and notably agriculture and women's handicraft cooperatives. He has held the positions of Regional Director, Head of Department and more recently Executive Secretary. He has participated in several ICA activities, most recently the regional conference for West Africa in 2004 in Cap Vert.

BAHERAN Rahaiah, National Co-operative Organisation of Malaysia (ANGKASA), Malaysia

Rahaiah Baheran is currently a member of the ICA Board, Chairperson of the ICA Regional Women's Committee for Asia and the Pacific and a member of the ICA Gender Equality Committee since 1996. Madam

Baheran is currently Vice-President of the National Co-operative Organisation of Malaysia (ANGKASA). She has been actively involved in the Malaysian Co-operative Movement for 43 years and is also Chairperson of ANGKASA's Education Committee along with being on the boards of a number of primary co-operatives. She is politically active and was appointed as Senator in the Upper House of Malaysia Parliament and a member of the Women's Advisory Council. She was appointed Board member of the Malaysian Pertanian Bank for her third term since March 1996.

BARTUS Pal, National Federation of Consumer Co-operatives and Trade Associations (Co-op Hungary - AFEOSZ), Hungary

Mr Bartus is President of the National Federation of Consumer Co-operatives and Trade Associations of Hungary. He was elected chairperson of a local co-operative at age of 24 and later became chairperson of one of the largest consumer co-operatives in Hungary. He has actively promoted the development of trade activities of co-operatives and in 1997 was elected President/CEO of the newly formed Co-op Hungary. He has served co-operative commerce during his entire working life and played an eminent part in the establishment of national and regional wholesale purchasing organisations. He has served on the Audit and Control Committee of the ICA and has been a Board member since 2003.

CHERAGHALI Abdolrahman, Central Organisation for Rural Co-operatives (CORC), Iran

Abdolrahman Cheraghali has 20 years experience in research training and extension of agricultural in Iran. He has worked closely with the Food and Agriculture Organisation of the United Nations (FAO) and is a member of the board of trustees of the Karaj Training Centre and Gorgan University. He is a member of the Superordinate Council of Training and Education Ministry. He has been involved in research about agricultural development, irrigation, agronomy and has presented several papers at international seminars. He has initiated an IT system in the rural co-operatives of Iran and developed new management methods and information systems in CORC. He is currently Chairperson of the Board and Managing Director of the Central Organisation for Rural Co-operatives of Iran.

CHUNG Dae-Kun, National Agricultural Co-operative Federation (NACF), Korea

Mr Chung, Chairperson of the NACF has been re-elected in 2004 to another four year term. He served, before this time, as President of the Samranjin Agricultural Co-operative, a NACF member for eight consecutive terms, elected for the first time in 1975. In 1998, Mr. Chung joined NACF as Standing Auditor. In 1999 he was elected Chairperson of NACF. As Chairperson of the Organising Committee of the ICA General Assembly 2001 in Seoul, he hosted the ICA event successfully and was elected to the

Board of the ICA. He has also been Chairperson of the IFAP Standing Committee on Agricultural Co-operatives since 2004.

D'AMOURS Alban, Conseil Canadien de la Coopération (CCC), Canada

Alban D'Amours, is President and C.E.O of Desjardins Group, the largest integrated co-operative financial group in Canada, with assets of US\$ 83 billion and 5.5 millions members and clients. After having distinguished himself in an academic career in the field of Economics, he served in the Québec government as Deputy Minister of Revenue and Associate Deputy Minister of Energy. In 1988, he joined Desjardins to hold the positions of Inspector and Auditor General of Desjardins Group, Senior Vice-President Planning, Communication, Marketing and Senior Vice-President and Chief, Development and Audit. He was elected in February 2000 and re-elected by acclamation for a second term in January 2004. Mr. D'Amours is the recipient of several honorary prizes.

DETILLEUX Jean-Claude, Groupement National de la Coopération (GNC), France

Mr Detilleux is President of the Groupement National de la Coopération (GNC), which represents and defends the interest of the French co-operative movement at national and international level. He was elected to this position in 1998 and has been an ICA Board member since 2001. Mr. Detilleux's principal occupation is

that of President and Director-General of the Group Credit Coopératif, a co-operative bank, which has 98 branches, 20 affiliated institutions, 1,700 employees and a balance of 8.5 billion Euros. At national and European level, Mr Detilleux holds a number of elected positions as a representative of the co-operative movement.

DOMAGALSKI Alfred, National Co-operative Council (NCC), Poland

Alfred Domagalski, a farmer by first profession, has been a co-operator since his school years, active in student, banking, farmer, and worker cooperatives. From 1995 to 2004 he was Chairman of the General Assembly of the National Co-operative Council, the supreme organization of Polish National co-operatives. In 2004 he was elected as President of the Board. He is an active member of the Polish Peasants Party and, amongst other posts, has been vice president of its supreme executive committee. He was a Member of Parliament between 1990 and 1997. He represented Polish farmers cooperatives in ICAO and COPA-COGECA and in 2004 chaired the Polish organising committee of the ICA Regional Assembly in Warsaw.

DVERGSDAL Steiner, Federation of Norwegian Agricultural Co-operatives (Norsk Landbrukssamvirke), Norway

Steiner Dvergsdal is a farmer in the western part of Norway producing milk and beef. He has been very active in the co-operative movement in Norway since he started farming as

a very young man. He has been a board member in consumer co-operatives at a local regional and national level. He has also had several positions in the agricultural co-operative movement including one as President of the Federation of Norwegian Agricultural Co-operatives. He is now chairperson of the board of the largest co-operative in agricultural purchasing and marketing. He chaired the Norwegian organising committee of the ICA General Assembly in Oslo in 2003.

ERMAKOV Valentin, Central Union of Consumer Societies of the Russian Federation (Centrosojuz), Russia

Mr Ermakov serves as Chairperson of the Board of Centrosojuz and has been a member of the ICA Board for the last eight years. He is also the first President of the Association of Co-operative Organisations of Russia. He has participated actively in the consumer co-operative movement since 1950 and has been the leader of the movement for the past 25 years. During his office, three consumer co-operative laws were adopted, notably, a specific programme to stabilise and promote the co-operative movement, the advancement of women and youth in co-operatives and the establishment of a newspaper "Russian Co-operation". Mr Ermakov has been awarded many governmental awards including the orders for "services to the Motherland".

HAZEN Paul, National Co-operative Business Association (NCBA), USA

Mr Hazen has been President and Chief Executive Officer of the National Cooperative Business Association since 1998. Well-known for his knowledge of the co-operative sector and speaks often at national and international forums on the role of co-operatives in community and economic development. He has led several important NCBA initiatives including the creation of .coop, the top-level Internet domain exclusively for co-operatives. Since coming online in early 2002, the .coop domain has enhanced public awareness of co-operatives and created new business opportunities by allowing co-ops to differentiate their member-owned businesses from other domains. Since 1998 NCBA's international co-operative development programme has grown to more than US\$20 million in annual funding. Paul Hazen also serves on the boards of the Consumer Federation of America and the NCB Credit Corporation.

IMPERIAL Ramón Zúñiga, Caja Popular Mexicana, Mexico

Mr. Imperial has worked in several positions in the federal organisation in the financial sector of the Co-operative Movement in Mexico. He is currently President of the Caja Popular Mexicana CPM, a financial co-operative which has approximately 900,000 members plus an additional 200,000 children who are holders of savings accounts. he has held a variety of other positions including board member of the Co-operative Development Committee in the Parliament of Mexico, President of

COLAC headquartered in Panama, President of COMACREP, and a Board of Director in the International Raiffeisen Union IRU, Germany. He has participated in several national and international events related with the Co-operative Movement and he has represented the *Movimiento Cajista Mexicano* in different international congress and conferences. He is also co-author of the book, *Banca Social Historia, Actualidad y Retos de las Finanzas Populares*, 2001.

MARTENSSON Gun-Britt, HSB Riksförbund (Union of Housing Co-operatives), Sweden

A graduate in English French political science Ms Märtensson has played an active role in politics and was Mayor of her town for 12 years. She was a member of the executive committee of the Swedish Social Democratic party where she was spokesperson for housing policies. Since 1997 she has been Chair and President of HSB, the National Federation of Tenants, Savings and Building Societies which is Sweden's largest organisation for co-operative housing. She is also board member of the Nordic Housing Alliance, the Swedish Co-operative Institute and Swedish Co-operative Centre. She served as Chairperson of the ICA Audit and Control Committee until she was elected to the Board in September 2003.

MIYATA Isami, Central Union of Agricultural Co-operatives (JA ZENCHU), Japan -

From April 1988 to date, Mr Miyata has been President of Shinshinot-

sumura Agricultural Co-operative serving at the same time as President of Kokkaido Prefectural Union of Agricultural Co-operatives. In July 1999, he was elected to the Board of the National Press and Information Federation of Agricultural Co-operatives. Mr Miyata is also auditor of the Central Union of Agricultural Co-operatives and on the board of IENO-HIKARI Association. In August 2002 he was elected President of the Central Union of Agricultural Co-operatives (JA Zenchu) and in May 2003 was elected President of Japan Joint Committee of Co-operatives. Mr. Miyata has received many awards.

MUKASA Joseph, Uganda Co-operative Alliance, (UCA), Uganda

Mr Mukasa attended Uganda Co-operative College from 1969 to 1972. He obtained a diploma in Co-operative Business and Management. He served in the Ugandan Government as a civil servant from 1972 to 1995 in the livestock, credit specialist, education and auditing sphere. Mr Mukasa has attended numerous international seminars. He is currently Vice-Chairperson of ICA Africa, a member of the ICA Governance Working Group and the HRD Committee. He has many years of experience on public and co-operative bodies and has been widely published on a number of important co-operative issues.

ORTELLADO Lourdes Sienra, Cooperativa Universitaria, Paraguay

Mrs. Ortellado has been member of Cooperativa Universitaria Ltda. since 1976, an organisation with more than

60,000 members. She has held a variety of position with the co-operative including member of the Education Committee, the Credit Committee, and Board member of Cooperativa Universitaria. She was appointed Director of PANAL, Compañía de Seguros-Propiedad Cooperativa in 2003 and continues to hold the position today. During the Regional Conference of ICA Americas in Asunción, Paraguay in October, 2002, she was elected Chairperson of the Americas Regional Committee of Co-operative Women, (CRAMC ICA Americas). As chairperson of this Committee, she has participated actively in several meetings with co-operative women in Dominican Republic, Brazil, Mexico, Paraguay and Canada.

PASZKOWSKI Janusz, National Auditing Union of Workers' Co-operatives (NAUWC), Poland

Mr Paszkowski is actively engaged in the Polish co-operative movement. He is a graduate of the Law Faculty of the Jagiellonian University in Krakow. At a local level he has been active since 1976 in the workers co-operative movement. From 2000-2004 he was Chairperson of the Supervisory Board of NAUWC and since then has been President of the Management Board of NAUWC. He was also a member of the Executive Committee of the National Co-operative Council and to date is Deputy President of the National Co-operative Council. At the international level he is a member of the Executive Committee of CICOPA and CECOP. He is also a consultant on Polish co-operative law.

PENG Seah Kian, Singapore National Co-operative Federation (SNCF), Singapore

Mr Seah Kian Peng is the Chairman of Singapore National Co-operative Federation (SNCF), the apex body representing the Co-operative Movement in Singapore. Concurrently, Mr. Seah is the Deputy Chief Executive Office (CEO) and Chief Operating Officer of NTUC FairPrice Co-operative and the CEO of NTUC Media Co-operative. NTUC FairPrice is a leading retailer in Singapore, running a chain of over 130 supermarkets and convenience stores with a combined turnover of over US\$780 million and a staff of over 5,000 employees. NTUC Media is in the radio and broadcasting and publishing business. In February 2003 Mr Seah was elected as a member of the ICA Asia-Pacific Standing Committee. Prior to his involvement in the Co-operative Movement, Mr. Seah has worked in both the public and private sectors. He is Board member of various subsidiaries with the NTUC Group and also serves various public and community organisations.

SCALVINI Felice, Confederazione Cooperative Italiane (CONFCOOPERATIVE), Italy

Mr Scalvini has a degree in Law from the Pavia University in Italy. A solicitor and auditor, he first became involved with the co-operative movement when in 1976 he participated in the founding of one of the first social solidarity co-operatives in Italy. At a national level, he is Vice-President of Confcooperative Brescia, a Board member of Cariplo Bank Foundation

and President of CFI. At the European and International level, he is a member of the ICA European Council and Executive Committee, a member of the Cooperatives in Europe Council and President of CECOP. He is also Vice-President of CICOPA.

SISODIA Sawai Singh, National Co-operative Union of India (NCUI), India

Dr Sisodia is a senior co-operative leader in his country. He was re-elected unanimously for the second term of five years as President of NCUI in March 2005. Dr. Sisodia has been associated with the co-operative movement for the past forty years and has worked in various positions at different levels from the primary level co-operative society to the national and international organisations. He is a member of the International Raiffeisen Union (IRU) and President of the Asian Farmers Group on Co-operation (AFGC), Japan. A Trustee and Chairperson of the Indian Association of Parliamentarians on Population and Development, Dr Sisodia was a member of Parliament for some fourteen years. Author of books and articles on different subjects concerning co-operatives, literature, legislative, social and culture, his contribution in the field of co-operatives, social and culture is well recognised.

SMITH Elizabeth Aba, Ghana Co-operatives Council, Ghana

A graduate teacher from the University of Cape Coast and presently headmistress of a Secondary Technical School, Mrs. Smith joined the

Cooperative Credit Union in 1989 and became the Regional Chairperson and then the National Vice Chairperson. She was the first female chairperson and is now President of the Co-operative Movement of Ghana.

UTUMI Americo, Organisation of Co-operatives of Brazil (OCB), Brazil

Mr Utumi has a long career in the Brazilian co-operative movement, coupled with a deep knowledge of the co-operative way of doing business, particularly in the international arena. Not only a leader and Chairperson of relevant agricultural co-operatives and credit unions in Brazil, he also held the position of President of the Organisation of Co-operatives of the Sao Paulo State for four mandates. At the international level, Mr. Utumi has been a very active member of the Board of the Organisation of Co-operatives of Americas, having participated in the Latin American Free Trade Association. He is also a member of the Economic and Social Council of Mercosur

Candidates for Audit & Control Committee (listed in alphabetical order by surname)

GICHERU Esther, Co-operative Bank of Kenya

Mrs Gicheru has had a long and distinguished career in co-operatives both nationally and internationally. As principal of the Kenya Co-operative College, she has contributed a lot to the promotion of co-operative HRD in the African region. At the global level, she is currently serving as Vice Chair of the ICA Global Human

Resource Development Committee. She is also an active co-opted member of the Board of the ICA. Mrs Gicheru has many years of experience on public and co-operative bodies and has been widely published on co-operative issues.

HOLMES Philip, Co-operatives UK, United Kingdom

Philip Holmes is a qualified accountant and a fellow member of the Chartered Association of Certified Accountants. He is currently the Finance Manager for Co-operatives UK. He has been a member of the ICA Audit and Control Committee for the last two years and was a member of the working group involved in the production of the ICA financial control handbook which was issued in December 2004. He is also a member of the special working group on international accounting standards.

OGURA Shugo, Japanese Consumers' Co-operative Union (JCCU), Japan

Mr Ogura has been a long time co-operative leader in consumer co-operatives in Japan. He serves as President of the Japanese Consumer Cooperatives Union (JCCU) and as Vice-President of Co-op Kobe, which is the biggest and most successful consumer co-operative society in Japan with 1.21 million members and an annual turnover of 284.7 billion Japanese Yen. He has been playing a vital role in implementing structural reform of business and management

of consumer co-operatives in Japan. Mr Ogura has also been contributing to the ICA on behalf of Asian co-operators as a member of the ICA Audit and Control Committee since 2003.

PEDERSEN Roy Berg, Norwegian Federation of Co-operative Housing Associations, Norway

Roy Pedersen has been attached to the co-operative housing movement in Norway since 1974. He has held the position of Deputy Managing Director of the Norwegian Federation of Co-operative Housing Associations since 1994. He has studied economy at the University of Oslo and is currently chairperson of BS Insurance, BS Media and a member of different other boards. Mr Pedersen was elected a member of the ICA Audit and Control Committee in September 2003 and has chaired that committee since December 2003.

SITTNER Rene, Konsumverband eG, Germany

Mr Sittner became lawyer in 1994, having studied at the Humboldt-Universität in Berlin. In that year he also began working for the Association of East German Consumer Co-operatives. From 1996 to 2002 he was the chief legal adviser of that association and in 2002 he became the executive Vice-President. Mr Sittner participated in the General Assembly of the ICA in Manchester in 1995 and in Québec 1999. He has also attended as a substitute at meetings of the Audit and Control Committee of the ICA.

Rochdale Pioneers Award



The ICA presents the Rochdale Pioneers Award to a person or, under special circumstances a co-operative organisation, in recognition of their significant contribution to innovative and financially sustainable co-operative activities that have notably benefited their membership. The first recipient of the Rochdale Pioneers Award was Dr. Verghese Kurien, who received the Award at the ICA General Assembly in Seoul 2001.

The 2003 General Assembly in Oslo jointly awarded the Rochdale Pioneers Award to Lloyd Wilkinson, United Kingdom and Francisco Luis Jimenez Arcila, Colombia.

The 2005 Award will be presented at the General Assembly in Cartagena. The nominees are:

- CHOMEL André, France**
- DAHLBERG Hans, Sweden**
- GORINI Floreal Edmundo, Argentina**
- ITKONEN Raija, Finland**
- MACPHERSON Ian, Canada**
- MONDRAGON Co-operative Corporation, Spain**
- PAZ Yehudah, Israel**
- THURASINGHAM Shan, Malaysia**
- VILLASENOR Florencio Eguia, Mexico**



Resolution for Consideration by the General Assembly 23 September 2005

Worker co-operatives are an essential part of the world family of co-operatives especially in connection with decent work and employment. The ICA Board calls on all ICA members and sectors to promote co-operative worker ownership as declared by the CICOPA General Assembly.

World Declaration on Co-operative Worker Ownership

Approved in principle by the CICOPA General Assembly held in Oslo on 6 September 2003

Approved by the CICOPA Executive Committee on 17 February 2004

General Considerations

1. Humankind permanently seeks a qualitative improvement of the forms of organising work, and endeavours to achieve ever better, fairer and more dignifying labour relations.
2. At present, human beings carry out their occupational activities under three basic modalities: a) independently as self-employed, being then defined by one's own capacities and self-regulation; b) as wage earners, under the continuous subordination to an employer who provides a compensation resulting exclusively from individual or collective negotiations; or c) under a third form, called worker ownership, in which work and management are carried out jointly, without the typical limitations of individual work, nor exclusively under the rules of conventional wage-based labour.
3. Among the modalities of worker ownership, the one being organised through worker co-operatives has attained the highest level of development and importance at present in the world, and is structured on the basis of the universal co-opera-

CICOPA is a sectoral organisation of the International Co-operative Alliance (ICA)

tive principles, values and operational methods enshrined in the Statement on the Co-operative Identity (Manchester, 1995), agreed upon within the framework of the International Co-operative Alliance (ICA), and incorporated in the ILO Recommendation 193/2002 on the Promotion of Co-operatives.

4. Worker co-operatives are committed to being governed by the above-mentioned Statement on the Co-operative Identity. Moreover, it has become necessary to define at world level some basic characters and internal operational rules that are exclusive to this type of co-operatives, which have specific goals and purposes that differ from co-operatives belonging to other categories. This definition will enhance the coherence and universal identity of co-operative worker ownership, stimulate its development, and produce recognition at world level of its social and economic function in creating decent and sustainable jobs, while also preventing deviations or abuses.
5. A world declaration is also needed in order to focus on the importance of co-operative worker ownership, the promotion of worker co-operatives, and their relations with co-operatives belonging to other categories, as well as with the State, international organisations, the entrepreneurial world and the trade unions. This is necessary to guarantee the development and promotion of worker co-operatives, as well as the full recognition of their role as

actors in the solution of the problems of unemployment and social exclusion, and as proponents of one of the most advanced, fair and dignifying modalities of labour relations, generation and distribution of wealth, and democratisation of ownership and of the economy.

6. Although CICOPA also affiliates co-operatives of individual artisans and other forms of co-operative management that are based on the central concepts of work and production, the present declaration is aimed specifically at worker co-operatives. This does not preclude that it could be, in so far as possible, used by and applied to users' co-operatives that also grant membership and ownership to their workers as a differentiated part from the other members in such a way that their interests are represented adequately, as well as to all the forms of management that grant special recognition to human work and to those who carry it out, such as workers' limited societies (sociedades anonimas laborales – SALs) that apply benefits of co-operative nature to their workers, and in general all those enterprises of community character that provide special labour relations to their members besides offering them welfare services.

On the basis of the above-mentioned considerations, CICOPA unanimously approves the following World Declaration on Co-operative Worker Ownership.

I. BASIC CHARACTERS

On the basis of the definition, values and principles enshrined in the Statement on the Co-operative Identity (Manchester, 1995), and incorporated in ILO Recommendation 193 / 2002 on the Promotion of Co-operatives, worker co-operatives contain the following basic characters:¹

1. They have the objective of creating and maintaining sustainable jobs and generating wealth, in order to improve the quality of life of the worker-members, dignify human work, allow workers' democratic self-management and promote community and local development.
2. The free and voluntary membership of their members, in order to contribute with their personal work and economic resources, is conditioned by the existence of workplaces.
3. As a general rule, work shall be carried out by the members. This implies that the majority of the workers in a given worker co-operative enterprise are members and vice versa.
4. The worker-members' relation with their co-operative shall be considered as different to that of conventional wage-based labour and to that of autonomous individual work.
5. Their internal regulation is formally defined by regimes that are democratically agreed upon and accepted by the worker-members.
6. They shall be autonomous and inde-

pendent, before the State and third parties, in their labour relations and management, and in the usage and management of the means of production.

II. INTERNAL FUNCTIONING RULES

In their internal operations, worker co-operatives must take into account the following rules. They shall:

1. Compensate the work of their members equitably, taking in consideration the function, the responsibility, the complexity and the specificity requested by their positions, their productivity and the economic capacity of the enterprise, trying to reduce the difference between the highest and the lowest compensations.
2. Contribute to the capital increase and the appropriate growth of indivisible reserves and funds.
3. Provide the workplaces with physical and technical facilities aimed at achieving an appropriate functioning and a good organisational climate.
4. Protect the worker-members with appropriate systems of welfare, social security and occupational health, and abide by the standards of protection in force in the areas of maternity, childcare and minors of age at work.
5. Practice democracy in the decisive instances of the organisation and in all the stages of the management process.

6. Ensure permanent education and training for capacity building of members and information to the latter, in order to guarantee professional knowledge and the development of the worker co-operative model, and to stimulate innovation and good management.
7. Contribute to the improvement of the living conditions of the family nucleus and the sustainable development of the community.
8. Combat their being instruments aimed at making the labour conditions of wage-earning workers more flexible or precarious, and from acting as conventional intermediaries for jobs.

III. RELATIONS WITHIN THE CO-OPERATIVE MOVEMENT

A strong invitation is made to the co-operative movement in general:

1. To make the promotion of worker co-operatives one of the main priorities within the world co-operative movement, and to effectively contribute to the creation of new enterprises of this type.
2. To establish strategic alliances that foster the development of worker co-operatives and to make their entrepreneurial projects possible, including the access to appropriate financing, and the promotion of the services that they offer and of the products that they produce.
3. To establish capital formation mechanisms in worker co-operatives, including the contribution to the latter of risk capital from co-operatives of other categories, with an economic compensation covering the opportunity cost and an appropriate participation in management, without endangering their autonomy and independence.
4. To promote the representative organisations of worker co-operatives at local, national, regional and international level, and the cooperation among them, and to support the creation of second-degree entities, entrepreneurial groups and consortia and common socio-economic agreements among co-operatives, in order to provide efficient entrepreneurial services, reinforce the co-operative movement, and strive for a model of society characterized by social inclusion and solidarity. ²
5. To promote initiatives that ensure that the State, in its different branches, create and improve the instruments for the development of this type of co-operatives, including relevant and appropriate legislation. This also implies furthering petitions to parliamentarians, in order to make such legislation possible.
6. To promote, in so far as possible, the integration of the wage-earning workers of the co-operatives as worker-members.

IV. RELATIONS WITH THE STATE AND WITH REGIONAL AND INTERGOVERNMENTAL INSTITUTIONS

1. Governments should understand the importance of the promotion and development of worker co-operatives as effective actors of job creation and inclusion to working life of unemployed social groups. For this reason, governments should not discriminate against worker co-operatives, and should include the promotion and development of this type of enterprises in their policies and programs, in order to fight some of the major problems which the world suffers from, generated as a consequence of exclusionary globalisation and development, such as unemployment and inequality.
2. In order to make co-operative worker ownership a real option, the States should establish national and regional regulatory schemes that recognize the specific legal nature of this type of co-operatives, allow them to generate goods or services under optimal conditions and to develop all their entrepreneurial creativity and potential in the interest of their worker-members and the community as a whole.
3. In particular, the States should:
 - Recognize in their legislation that co-operative worker ownership is conditioned by labour and industrial relations that are distinct from wage-based labour

and self-employment or independent work, and accept that worker co-operatives apply corresponding norms and regulations.

- Ensure the application of the general labour legislation to non-member workers of worker co-operatives, with whom conventional wage-based relations are established.
- Apply to worker co-operatives the ILO concept of Decent Work and clear, precise and coherent provisions regulating social protection in the fields of health, pensions, unemployment insurance, occupational health and labour safety, taking into consideration their specific labour relations.
- Define specific legal provisions regulating the fiscal regime and the self-managed organisation of worker co-operatives that can enable and promote their development.

In order to receive an appropriate treatment from the State, co-operatives should be registered and/or audited.

4. Governments should ensure access to appropriate financing conditions for entrepreneurial projects launched by worker co-operatives by creating specific public funds, or loan guarantees or covenants for the access to financial resources and promoting economic alliances with the co-operative movement.
5. The States and the regional and inter-governmental organisations

should promote projects based on exchanges of successful experiences, on information about, and development of structures of entrepreneurial and institutional support for worker co-operatives, within the framework of international and regional cooperation, for job creation, sustainable entrepreneurial initiatives, gender equality, and the fight against poverty and marginalisation.

6. Co-operative worker ownership should be promoted as an option and an entrepreneurial model as much in processes of entrepreneurial change and restructuring, start-ups, privatisations, conversion of enterprises in crisis, and transmission of enterprises without heirs, as in the concession of public services and public procurement, in which the State should define conditioning clauses that stimulate local development through worker co-operative enterprises.
7. In the context of the relations with the State, it is important to highlight the guideline of ILO Recommendation 193 concerning the necessity to endeavour towards the consolidation of a distinctive area of the economy, which includes the co-operatives³. It is an area in which profit is not the first motivation, and which is characterized by solidarity, participation and economic democracy.

V. RELATIONS WITH EMPLOYERS' ORGANISATIONS

Employers' organisations can promote the development of co-operative worker ownership as an entrepreneurial form whose first objective is the creation of sustainable and decent jobs with an entrepreneurial added value, and as an appropriate exit strategy for the recovery of companies in crisis or in the process of liquidation, while respecting their autonomy, allowing their free entrepreneurial development and without abusing of this associative labour modality to violate the workers' labour rights.

VI. RELATIONS WITH WORKERS' ORGANIZATIONS

The co-operative movement should maintain a permanent dialogue with the trade unions, as the representatives of the workers, in order to make sure that they understand the nature and essence of co-operative worker ownership as a distinctive modality of labour relations and ownership, overcoming the typical conflicts of wage-based labour, and that they support it in view of its importance and the prospects that it offers to human society.

This declaration is in correspondence with ILO Recommendation 193 approved by governments, employers' and workers' organisations worldwide. Therefore, we hope that the latter consider it seriously, in order to contribute to the solution of the grave world problem of unemployment that affects humanity and endangers world peace and human rights.

Notes

¹ A co-operative is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" (ILO R193, art. 2). The co-operative principles are: "voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among co-operatives; and concern for community" (ILO R193, art. 3 (b)). The co-operative values are: "self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others" (ILO R 193, art 3 (a)).

² "The adoption of special measures should be encouraged to enable co-operatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion" (ILO Recommendation 193/2002, art. 5).

³ "A balanced society necessitates the existence of strong public and private sectors, as well as a strong co-operative, mutual and the other social and non-governmental sector." (ILO R.193, art.6); Measures should be adopted to promote the potential of co-operatives in all countries, irrespective of their level of development, in order to assist them and their membership to (...) establish and expand a viable and dynamic distinctive sector of the economy, which includes co-operatives, that responds to the social and economic needs of the community"(ILO R.193, art.4).

In this regard, the ILO Recommendation 193/2002 states that "Workers' organizations should be encouraged to (...) promote the exercise of the rights of worker-members of co-operatives" (art. 16 g).

The Recommendation states that "The promotion of co-operatives (...) should be considered as one of the pillars of national and international economic and social development" (art 7 (1)).

Foreword to Background Paper

There is no final version of the co-operative principles, no permanent definition of the “co-operative identity”. Rather, there are only continuous quests to understand the ultimate reasons for co-operative action, the nature of co-operative thought, and the contours of co-operative philosophy.

Thus, the formalised co-operative movement, from its beginnings, somewhere in the eighteenth and nineteenth centuries – if not before – has manifested successive efforts to identify its essence, no mean feat given its remarkable cultural, economic and intellectual diversity.

The last extensive effort is now ten years old, a gasp of breath in the history of humankind, but long enough, given the apparent pace of contemporary change, for co-operators to re-engage the quests within the context of present needs and circumstances.

What follows is a thoughtful reflection on what was essential and what was curious about efforts to define the “co-operative identity” a decade ago. It presents a broad perspective that cumulatively, one might argue, makes a case for the more systematic consid-



Ian MacPherson

eration of how the principles can be more deeply applied and their impact measured...a challenge that the ICA might well consider taking up. Perhaps it is time to find ways to demonstrate more concretely the value of “walking the walk”.

In a more general sense, what Professor Birchall suggests also reflects the value of constantly revisiting co-operative “fundamentals”: considering the co-operative core – reflecting on co-operative thought, sentiment and action – always rewards those who take the time to do so. It is always helpful to explore seriously where other committed co-operators have gone, to burrow below the glib statements that can often characterise co-operative

action and trivialise its purposes, and to consider what, within the tradition, is particularly important today.

Whether one agrees entirely with the points Johnston Birchall raises, his challenges deserve to be picked up and considered; his suggestions responded to by co-operators engaged in the per-

petual struggle to relate action to thought, purpose to values.

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Co-operative Principles Ten Years On

Johnston Birchall



Introduction

One of the original purposes of the International Co-operative Alliance (ICA) has been to update and interpret co-operative principles. It did this in 1937, again in 1966 and most recently in 1995. The purpose of this paper is to ask whether the relationship between the values and principles is well enough understood, to discuss the impact of globalisation, review progress in the ten years since the last revision, and discuss whether the principles have given a 'co-operative business advantage'. The 1995 revision arose out of a growing unease about the nature of co-operatives, expressed well by Alex Laidlaw who identified three crises in the development of the world co-operative movement. First, there was a crisis of *credibility*; co-operatives still had to prove their viability as business organisations. Second, there was a *managerial* crisis, because as co-ops became larger they faced the problem of how to keep an active

membership and to curb the technocratic power of their managers. Third, there was an *ideological* crisis, arising from 'gnawing doubts about the true purpose of co-operatives and whether they are fulfilling a distinct role as a different kind of enterprise'.¹

The method of updating was very democratic; a debate began in the late 1980s, continued at the 1992 Tokyo Congress and culminated in the adoption of new values and principles at the Manchester Congress of 1995². What was different about this revision was that it included not only an update of the Rochdale Principles but an identity statement and two sets of values (basic and ethical) that were meant to underlie the principles. To participants the purpose was clear; drawing on a long tradition in order to update the idea of a co-operative, they were hoping to revitalise a co-operative 'movement' and give it some future direction. How did it look from the outside? I suppose it appeared that a large num-

ber of quite diverse business organisations around the world, whose leaders felt they had something in common, were engaging in a kind of mutual branding exercise.

For academics the whole process looks rather strange. In social and political philosophy, the normal way of deriving principles for action is to begin with basic values such as equality and liberty, and work forward. For instance, JS Mill was concerned with liberty, but ended up providing a strong argument for worker co-ops. The British historian, Tawney was concerned about the neglect of fraternity, and this led him to appreciate the consumer co-operative movement's achievements³. In the intellectual history of co-operatives this approach has been taken several times, and each country has its own co-operative philosophers on which to draw⁴. However, there is also a tradition of healthy scepticism among co-operators about systems derived from pure thought rather than from experience. For instance, the Rochdale Pioneers were influenced by Robert Owen, but it could be argued that his influence was less than that of more practical co-operators such as William King, who derived his principles from watching people trying to run co-op stores⁵. As Will Watkins put it in his own work on the principles, 'The validity of Co-operative Principles is founded upon the experience and common sense of the many, not on a revelation made to or by a few'.⁶

Another method would have been to take the underlying logic of a member-

ship-based business and to derive some principles from it.⁷ In identifying essential policies that a 'genuine' member-owned business would have to follow, we can derive the principles of open and voluntary membership; detachment of profit from rewards to capital; voting based on the member as an individual; benefits shared in proportion to the use members make of the co-op's services and so on. What we cannot do, using this method, is to derive principles such as concern for community and education because these affect people outside the business. Nor can we derive 'co-operation between co-ops', because a principle of solidarity between organisations can hardly be derived from analysis of the internal workings of one organisation.

The method employed in 1995 steered a middle course between these two academic methods. It was a deliberative approach to principle-building that provided a practical consensus about what co-operators felt was important at the time. This means that the values and principles are not 'set in stone'; we can expect to review them again some time and keep the co-operative way of doing business relevant to changing conditions.

Is more work needed on the co-operative principles?

The values and principles are more of a list than a guide for action; there was no attempt to rank the values in order of importance, or to link them directly with the principles and with business practices⁸. Since 1995, more work has had to be done to make connections between the values and principles, and

Table 1: Co-operative values and principles reordered

FIRST ORDER VALUES	SECOND ORDER VALUES	PRINCIPLES	CO-OPERATIVE PRACTICES
<i>Political values:</i>	Democracy	Voluntary/open membership	Member recruitment strategy
Liberty	Equity	Democratic member control	Director education and training
Equality	Self-help	Member economic participation	'Dividend' cards
Solidarity	Self-reliance	Autonomy and independence	Internal capital raising
		Education, training and information	Marketing the 'Co-op difference'
<i>Ethical values:</i>		Co-operation among co-ops	Support for federation/shared services co-op
Honesty		Concern for community	Community 'dividend'
Openness			
Social responsibility			
Caring for others			

to show the relevance of the new wording to contemporary co-operative issues.⁹ For instance, here is a table that distinguishes between political and ethical values, and between first order values (which are ends in themselves) and second order values (which are means to achieving and balancing the claims of first order values), and that then connects up the principles directly with some distinctive co-operative practices.

First, the ethical values are worthy ends in themselves and they can easily be made relevant to co-operative business practices¹⁰, but it is difficult to see what is distinctively co-operative about them. Co-operatives need an environment in which markets work well, political power is kept in check, and there is an established civil society. Honesty is a precondition for functioning markets, openness a precondition for democracy, and social responsibility

for civil society. Yet co-operatives can only contribute their share, and there is a trade off; too much caring for others would mean neglecting one's members, while honesty does not mean sharing sensitive business information with one's competitors.

In contrast, the political values can be related directly to the principles, but only if we first separate out those which are ends from those which are a means. The famous trilogy 'liberty, equality, solidarity' are usually regarded as ends; conditions for the good life, however one wants to live it. They are also, to some extent, antinomic; we cannot maximise one without diminishing another, and so there has to be a trade off between them. Political philosophers disagree profoundly about the nature of this trade off, some arguing strongly for liberty, others for equality. Up to a point, we can maximise both by arguing that a certain amount of equal-

ity (particularly of opportunity) is needed for people to have positive liberty. However, government action to promote equality tends to involve coercion, and so diminishes people's individual liberty. Solidarity comes in as a way of determining where the trade off should be; the more we care about others and see them as being like ourselves, the more we will be prepared to give up some liberty on their behalf.

The second order values then come into focus. Democracy is the fairest means we can find by which this trade off between liberty and equality is decided (no taxation without representation). So far, there are no obvious arguments for co-operative business practices. Then, when we come to the values of equity, self-help and self-reliance, from a co-operative point of view we strike gold. Here we find the strongest argument for co-operatives which goes like this. Markets tend towards inequality, and do not guarantee that everyone will have their basic needs met. If we can find a way of doing business that rewards people equitably, we will be able to distribute the fruits of economic activity in such a way that it will not build up inequalities. Because they reward people for the use made of the business rather than for the amount of capital they have invested, co-operatives have equity built into them. In an inequitable market system, governments have to step in to ensure that citizens can survive, but in doing so they can endanger liberty. Equitable businesses that are democratic, work through self-help and are also self-reliant will decrease the need for gov-

ernment action to correct inequalities. So it seems that co-operatives have the capacity – in theory – to do two things that other forms of organisation cannot do; as businesses they can reward their owners equitably, and in so doing they can diminish the need for government to correct inequalities.

So it is the second order values of democracy, equity and self-help that are of most interest. The key principles follow directly from them; democracy implies 'democratic member control', equity implies 'member economic participation', self-reliance implies 'autonomy and independence' and so on. There is an internal logic to this argument that ties some of the values and principles in together. However, not all the connections are so obvious. The principle of 'concern for community' can be derived from the ethical values of 'social responsibility' and 'caring for others', but the argument here is a tautology; we should be concerned for others because we are concerned for others. At first sight, the principle of 'co-operation between co-ops' can only be argued from a pragmatic point of view, that it enables individual co-operatives to be more self-reliant. This principle can only be argued convincingly if co-operators share the vision of a more equitable economic system and have faith that co-ops can provide it.

Even the strongest argument, for what we might call the 'inbuilt equity advantage', has its weakness. The problem is that anyone can form a co-op. There are co-ops of landless peasants renting land to keep a cow, and

there are co-ops of rich farmers wanting to process and export their products. There are co-ops of marginal workers in the informal economy wanting basic sickness insurance, and co-ops of professional people seeking a comfortable pension. There are co-operative banks that, without intending to, recycle money from rural economies to urban businesses. In general, co-ops benefit lower income people more, but they do not necessarily always benefit the worst off. They are internally equitable, but not necessarily a force for greater equality. It can be argued that, in general, they benefit those on low to middle incomes more, but the argument has to be made on an empirical basis, as well as in theory. 11

When we come to the next stage, of connecting up the seven principles to business practices, we are on much firmer ground. It is not difficult to see how the principle of member democracy demands some kind of member relations strategy, a policy on information giving, and so on. It is obvious that for the participation of members in the economic benefits some kind of patronage refund is needed. It is less obvious how the principle of member benefits balances against that of concern for community, because they are often both paid for out of the same surpluses. For instance, a large consumer co-op may have to decide whether to develop new types of co-op or give grants to community organisations. An electronic 'dividend card' can be open to all customers or only to members. Just as there are trade-offs between values, there are trade-offs between principles, expressed as diffi-

cult practical decisions that members and managers have to make.

Finally, there is a view that those co-operatives that are operating in global markets – particularly agricultural marketing and processing co-ops – cannot afford to internalise the ICA values and principles, but have to work with a slimmer and more self-centred set of principles just to survive. In 1987, the US Dept of Agriculture adopted just three principles of user ownership, user control and user benefits, corresponding roughly to the first three ICA principles. These are the kinds of principles that can be derived from the internal logic of a co-operative, and they have nothing to say about any wider social responsibility, but their market advantages may be clearer and easier to demonstrate.

All of this means that there is still work to be done on the co-operative principles. There is some hard thinking needed to evaluate the ways in which values have been connected to principles and, crucially, the ways in which business practices have given expression to them. The key questions are: what impact have co-operative values, principles and identity statement been used in the last ten years, and have they led to a 'co-operative business advantage'? However, before answering these questions we need to understand the impact of globalisation.

The changing environment for co-operatives

Globalisation is both a threat and an opportunity for co-operatives. But to identify these accurately we have to

ask two questions: what is globalisation, and how extensive is it? A simple definition makes it entirely an economic process: 'the removal of barriers to free trade, and the closer integration of national economies'¹² but a more inclusive definition also includes cultural factors: it is the

*closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and (to a lesser extent) people across borders.*¹³

We might find economic globalisation a threat but cultural globalisation an opportunity, or vice versa. For instance, the increasing density of cultural links should help spread the co-operative principles from country to country, though at the same time people are being bombarded with images of investor-ownership as being the normal way to do business. Second, how extensive is globalisation? Economists argue over this. It is possible to demonstrate that exports accounted for a larger proportion of the world economy in the 1920s than they do now, but of course at that time local economies were much more important. It is possible to distinguish between flows of capital – which are very extensive – and flows of goods, which are still confined mainly to world regional markets rather than truly global markets. This question about the pace of change is important because if it is slower than expected it gives time for co-operatives to meet the challenges, whereas if it is fast, perhaps even accelerating, the situ-

ation is much more urgent. For instance, if pressure from transnational multiple chains is low, consumer co-ops may feel they can stay within national boundaries and concentrate on differentiating themselves from their national competitors. But if Walmart and IKEA continue to make an impact, this strategy may need revising. To complicate things further, the pace of change may be different depending on what market one is in; agricultural processing may be regionalising while the supermarket chains on whom the food processors depend are still be tied mainly to national markets.

Another complication is that one of the effects of economic globalisation is to increase inequalities, both within and between countries.¹⁴ It will have a different impact on co-operatives in the developed and developing countries. Some benefit while others lose out. For instance, co-ops in South Asia and China may benefit from rising prosperity, while those in sub-Saharan Africa, where economic output is falling, may go out of business. Through promoting fair trade between co-ops in the developed and developing countries, co-ops can work together for mutual benefit. Liberalising trade and breaking down tariff barriers will help this process, but they will also expose co-ops in the developed world to greater competition. There is already, indirectly, competition between producer co-ops in developed and developing countries in primary products such as cotton, coffee and rice. Currently, the terms of trade disadvantage the poor, which includes co-operatives of the poor.

Finally, globalisation is not a neutral concept. The rhetoric of globalisation is being used by people with vested interests, who argue that because of it co-ops have to take one direction or another. Arguments for merger, rationalisation, even demutualisation, can be made more compelling by use of this rhetoric. For instance, recently managers of Irish agricultural co-ops argued that, because of globalisation, there was no choice but to seek plc status, whereas in other countries such as Denmark other alternatives were sought that preserved the integrity of user-ownership.¹⁵

The ICA needs to have a self-conscious and well worked out position on this. It could be that co-operatives have to develop two distinct, and opposite strategies that can be summarised as:

- thinking locally and acting globally
- thinking globally and acting locally

Large co-ops will have to 'act globally' by expanding beyond national borders. I have in mind here the UK, Scandinavian, Italian and Swiss consumer co-ops, US, Australian, New Zealand, Brazilian and Canadian agricultural co-ops, the Dutch and German federated co-op banks, and the consumer and worker co-ops in membership of the Mondragon system. Some are already doing this, but are not finding it easy. They can act like conventional companies and form partnerships with investor-owned businesses, or can cooperate with existing co-ops in other countries, or where there are no co-ops help to start up new ones. The evi-

dence from failed ventures points to the need to ensure that there is a membership base in the region or country of expansion, otherwise the co-op will not succeed. To act globally, they have also to think locally, convincing local communities that they have something to give, in the form of a local store, or bank branch that is to some extent owned and controlled locally. The expansion of Eroski into France is succeeding because of a tie-in with a shared service co-operative of local traders. The UK Co-operative Group's three tiered democratic structure, in which area committees have a say over local stores, is another good model.¹⁶

The other strategy is to act locally. There is a bewildering variety of co-operatives and social enterprises that have remained small and locally controlled, whose members have no wish to see them grow.¹⁷ They prefer to develop federal structures that allow for joint representation and shared services rather than mergers and aggressive growth strategies. Most credit unions, locally and regionally based consumer co-ops, housing, worker and social care co-ops share this strategy. More and more they are thinking globally, that is, working out how to counteract globalisation through meeting the needs of local people directly. They use a mixture of paid work, mutual aid and volunteering, are registered under a variety of laws (not all of them co-operative), and are funded through a variety of sources: their own trading activities, local government contracts, grant aid, ethical investors, income from community land trusts and so on. What they

have in common is that they develop tailor-made solutions to local problems. Increasingly, they are seeking innovative collaborations across sectoral divides; consumer co-ops are sourcing food from local farmers, producer co-ops are running farmers' markets, and multi-stakeholder co-ops of both producers and consumers are finding ways of producing organic food for a guaranteed market. Such small, locally based co-ops are an engine of local economic development. Sometimes co-operative networks take the lead in this; the Desjardins development programme in Quebec, and informal economy projects in Africa are good examples.¹⁸

Are these the only two viable strategies? There may be a third. Where large co-ops still have a local presence (consumer co-ops with local committees, banks with a federal structure), there can be a capacity to act locally and globally at the same time. For instance, the fair trade towns initiative in the UK, attempts by large consumer co-ops to source food locally, a co-operative banking policy of lending at preferential rates to local small businesses, are examples where acting globally does not mean one cannot also act locally. However, what is not viable is a strategy of avoiding the whole issue of globalisation/localisation and attempting to trade somewhere in between; agricultural and consumer co-ops that are currently based at a regional level in one country, for instance, may be neither large enough nor small enough to survive. The key question for them is how to grow without losing their co-operative

values (and becoming prey to demutualisers), and how to keep a loyal membership rooted in localities. Traditionally, the key to co-ops obtaining the advantages of both large size and local control has been federation, but federations have not had a good record in acting decisively enough, or with enough authority, to keep up with the globalisation dynamic. A national-level co-operative that can form alliances trans-nationally but have a decentralised structure may be the answer. In the future, we may find a new mix of large and small, with local societies accepting the discipline imposed by a national or international body in exchange for being players in the global market.

How far have the identity statement, values and principles been put into practice?

Bearing in mind these points about the global business environment, we can now try to evaluate the impact of the new co-operative values and principles. The new *Identity Statement* has been extremely helpful in defining the co-operative difference. It carefully includes the main principles, in such a way that the reader can be in no doubt about what a co-op is and is not, or to put it another way, which organisations can call themselves co-ops and which cannot. At the international level, the Statement has been an outstanding success. It has been the cornerstone of the United Nations Guidelines of 2001 and the International Labour Office Recommendation 193 concerning the promotion of co-operatives of 2002, and has recently been

endorsed by the European Commission.¹⁹ At the national level, it has enabled co-operative sectors to enter dialogue with their governments, in order to improve co-operative legislation and create a level playing field for co-ops in their commercial environment. As a result, it has been incorporated into many new co-operative laws in Africa, Asia and the countries in transition from communist rule. National federations have been able to use it as a starting point in defining what they do, and many individual co-ops use it on their websites and publicity material.

However, its use varies between sectors; agricultural co-ops tend to prefer simpler formulas such as 'farmer-owned business' or 'farmer association', while many consumer co-ops are still unclear about the difference between members and customers, and credit unions have their own separate ways of expressing their identity. In some developing countries, notably India, the new co-operative laws have been applied to a new wave of co-ops while leaving older ones unreformed.²⁰ In other countries there has been political resistance to the new laws. In practice, the Identity Statement could be much better appreciated and more extensively used.

It might be thought that, because *co-operative values* are expressed through the principles, the values cannot be measured directly. Yet we can think of ways of measuring whether they have been put into practice. For instance, one region might have a flatter income distribution than another and the dif-

ference may be partly attributable to there being, say, a network of agricultural co-ops. This would be a measure of equality. Or we might calculate the total amount put into a community in a patronage refund by a consumer co-op, or the amount saved by credit union members in fees paid for sending remittances back home to poor relatives. These would be indicators of equity. Or again, if we could show that people have become less indebted to moneylenders as a result of joining a micro-credit scheme, this would be a measure of self-reliance. By doing careful case studies of co-operative success stories, we can demonstrate the route back from practices through principles to values.²¹ What we cannot do at the moment is to generalise from these to whole co-operative sectors because the evidence is not available. Table 2 makes some generalisations that can be supported by evidence, but it is just a start.

Now let us look briefly at each of the principles and ask to what extent they have been put into practice. First is *voluntary and open membership*. Voluntariness is no longer the issue it was in the days of communist and post-colonial regimes that planned co-operatives on a compulsory basis; these days nobody is forced to join a co-op. Regarding open membership, the main issue has been whether women are being left out of membership. While co-ops have a good track record in this respect²², and women's co-ops are redressing the balance,²³ gender discrimination in membership remains a problem.²⁴ During the last ten years, another issue has begun to be impor-

Table 2: Have the principles been put into practice?

Co-operative sector	Use of identity statement?	Reference to co-op values?	Reference to co-op principles?
Consumer co-ops	Growing, but only at 'cutting edge' (Co-op Group, Legacoop etc)	Patchy, but developing through fair trade, honest labelling, anti-GM, community shops etc	Yes, but benefits of membership often unclear, member education not yet integrated with marketing, PR, and potential of employees neglected
Producer co-ops (agricultural, but also fisher, forestry etc)	Not much (except Japan?). Loss of identity in demutualisation, hybridisation. Use of synonyms such as 'farmer association'	Not much – mostly looking to 'add value' for farmers. But some solidarity with rural economies	Only in cut down version (member ownership, control, benefits). But new understanding of the value of farmer control
Worker co-ops	Growing. No reason why not.	Yes, particularly solidarity and equity	Yes, but expanded with Mondragon and 'decent work' principles
Health and social care co-ops	Yes (eg Unimed), but competition from 'not for profit' identity in USA, UK	Yes, and experiments in shared values through multi-stakeholding	Yes- explicit in case of Unimed, Puget Sound. Competition from 'public interest' principles
Housing co-ops	Patchy – often not aware of wider co-op movement. Other identities compete (non profit, housing association)	Yes – localism is an advantage. Small scale means direct democracy can be practiced	Yes, but need for govt loans, grants sometimes works against autonomy. Easy to demonstrate member benefits
Credit co-ops	Yes, but competes with other identities, such as credit unions	Yes at international level (WOCCU etc). Localism/regionalism can be an advantage	Explicit use by larger banks (Rabobank, Raiffeisen, UK Co-op Bank). But overlap with other principles (eg ethical investment)
Insurance/pensions/financial services co-ops and mutuals	Not much – competes with 'mutual' and other identities (S&L, building society)	Yes at international level (ICMIF etc), but general assimilation to dominant commercial values	Different traditions (friendly socs in UK, mutuals in France) not connected to ICA. Some very large commercial mutuals with no principles!
Co-ops in developing countries	Yes – in new laws, but ignorance of the co-op form/poor reputation lead to use of synonyms (self-help group, farmer association)	Not well recognised, except in discussion of co-ops as civil society organisations	Beginning to be applied, as governments withdraw. But poor performance, lack of HR capacity obscure them
Co-ops in general – some paradoxes	Poor performance/image within sector may lead to deliberate avoidance of co-op identity by successful co-ops!	Values are difficult to operationalise. The least distinctive co-op values (ethical ones) may be the most useful!	Co-op principles may compete with other worthy sets of principles (CSR, environmental bottom line, AA 1000, Investors in People)

tant, concerning the 'responsibilities of membership'. Co-ops are dividing into those that virtually give membership away and those that value it enough to ask prospective members to make a financial commitment. Contrast consumer co-ops in the UK with those in Japan whose members have to pay around 40 times more for membership. Compare conventional agricultural co-ops with the 'new generation' co-ops that require a capital investment proportional to the use to be made of the co-op. This is an issue that will become more important. Globalisation is requiring capital intensive co-ops (eg in food processing and high tech manufacturing) to find more capital, while the threat of demutualisation requires them to reward members for growth in the business with bonus shares. Open membership does not have to mean easy membership.²⁵

Second is *democratic member control*. Have co-ops become more democratic in the last ten years? It is hard to tell. There is certainly a new interest in governance, but this has been prompted more by developments among co-operatives' competitors than by any desire to become a leader in the field of economic democracy. There are co-ops that have developed a strategy for membership²⁶ and improved their election turnouts and made elections more competitive. But it is hard to make generalisations. For instance, in the UK there are two national and two regional co-ops that lead the way in democratic practice, but 36 others that lag behind. The same is true of the UK's building society and mutual insurance sectors; a few bea-

cons of good practice, achieving amazing improvements in member participation, but with a 'long tail' of poor performers.

In the developing countries the question is vital, because co-ops set up by governments have, in many cases, yet to become member-controlled. The IMF's structural adjustment policies of the 1980s and 1990s have culled traditional co-operative sectors (particularly multi-purpose agricultural co-ops, co-operative banks and federal bodies). New co-operative laws have made it clear that governments' obligations are to free co-ops from state control. Yet there is still a great deal to be done. In some countries such as India and Sri Lanka, a two tier system is being created, of old and new co-operative sectors, and it is uncertain as to whether the old sectors can be revitalised.²⁷ In most countries, the credit union movement has always been a model of good practice, because it has developed with the idea of member democracy firmly at its base.

The third principle is member economic participation. The key question here is whether co-operatives are effective enough as businesses to reward their members with economic benefits. Mistakes continue to be made, and when co-ops become detached from their members and cease to provide regular benefits they become ripe for demutualisation. For instance, some Irish agricultural co-ops have been sold off, after a long process of deformation in which non-users were allowed to hold shares, and member benefits were not aligned with the

increased value of the business.²⁸ At the opposite pole, when co-operatives work in areas (such as sheltered employment and social care) usually reserved for non-profits, they can come up against resistance to the idea of a patronage refund, and it has to be defended as a key principle. Social co-ops in Italy and the UK have faced this problem.

The fourth principle is *autonomy and independence*. In the last ten years, this principle has been compromised in two directions. First, governments in developing countries have not gone far enough in relinquishing control over traditional co-operative sectors. The poverty reduction strategy process entered into by countries seeking debt relief may lead to increased government control, because co-ops will once again be harnessed to national economic plans and targets.²⁹ Second, under pressures from global competition, some co-ops have sought to raise capital from outside investors; large agricultural co-ops, parts of the Mondragon system, the internet service provider, Poptel, are just some examples. In most cases some loss of control has been experienced, and it is vital that ways be found of capitalising fast-growing co-ops in global markets without this loss of control by members.

The fifth principle concerns education, training and information. It identifies several target groups and distinguishes three types of provision. Table 3 unpacks this principle and shows how much work has to be done to put it into practice. Transmission of the co-operative message used to be achieved more through informal channels; in Western Europe, for instance, a sympathetic working class culture was also, to some extent, a co-operative culture.³⁰ These days, the need to *inform* the public of the basic co-operative message has become vital, and we have to do it more formally through public relations work, commercial advertising, schools projects and so on. The task is helped by one aspect of globalisation, the IT revolution, which has vastly increased the amount of information that is flowing, and the speed with which it flows. Co-op websites are becoming really important, and so the new Co-operative Learning Project which will link these together is vital. The problem is that everyone who is linked globally is being bombarded with information, and the co-operative message is just one small voice.

What about informing of opinion formers? Some co-op federal bodies and development agencies have been

Table 3: The 'education principle' unpacked

	Elected reps	Managers	Employees	The public	Young people	Opinion formers
Informing	x	x	x	X	X	X
Educating	x	x	x		X	X
Training	x	x	x			

doing a remarkable job in explaining the 'co-operative difference'; exemplars are the National Rural Electricity Co-ops Association., the National Co-operative Business Association, and the Overseas Co-operative Development Council in the USA, Co-operatives UK, Legacoop in Italy, and so on. Yet there are also co-operative agencies working in the international development 'market' who, in the process of bidding for projects, have allowed the co-operative difference to become unclear.³¹ What about informing of young people? The youth initiatives of the ICA, of the UK Co-operative College are exemplary, but a much greater effort is needed if the co-operative message is to survive, let alone become more popular.

Beyond informing, there is *educating*, and the vital task of getting the co-operative message into the educational system has only just begun. There are schools projects in which young people learn how to set up and run co-operative businesses. At the other end of the system there is the new International Masters in Co-op Management based at St Mary's University in Nova Scotia. In between there is a huge gap. The failure to engage with the academic world is scandalous. There are few courses, there is no dedicated international academic journal, and only in a few countries is there a recognised career path; we require a sacrifice from academics who want to specialise in co-operative studies. However, some successful consumer co-ops, such as Migros in Switzerland and Kobe in Japan, achieve much by focusing on adult education.

Training is a blend of informing and educating that is aimed at getting results from those who govern and manage co-ops. Director training, linked to governance, is becoming universal. Manager training, linked to the co-operative difference and the business advantage, has been led by such large co-ops as the Co-operative Group in the UK. But the immensity of the task is daunting; for instance, after resisting an attempted takeover bid, the Group embarked on the training of 3000 managers.³² Not many large co-ops have been able to 'roll out' this training to front-line staff. Again in the UK, the successful regional co-op, Oxford Swindon and Gloucester, has found a way to do this by training one person from each store, who then trains everyone else. In developing countries, the need for training is acute; leader in this field has been the Co-operative Branch of the International Labour Organisation, that has run major projects in human resource management in co-ops.³³

In developing countries, the lack of knowledge and appreciation of co-ops is seriously hampering attempts to get co-operative sectors involved in poverty reduction strategies.³⁴ For instance, the recent report from the Commission for Africa contains only one or two mentions of co-operatives. In some cases, existing sectors are overlooked because they are not yet free of government control, are used as instruments in the delivery of state-determined services, and need to be reformed.³⁵ In others, genuine co-operative sectors are overlooked because they are self-sufficient and do

not ask for help from aid agencies.³⁶ In almost all developing countries, the lack of strong apex federations able to spread the co-operative message is crucial. Where federations have the will and the resources – as in the SANASA system in Sri Lanka – co-operative education and training has been shown to be very effective.

The sixth principle is *co-operation among co-operatives*. In the last ten years, the need for this has become acute, yet economic globalisation is not a process that co-operatives can take to easily. Being people-centred rather than capital-centred, they do not traditionally extend beyond national boundaries. Think of the struggles that consumer co-ops have had in Western Europe over merger between local societies; even creating one national-level organisation is highly controversial, and is more likely to succeed if some local autonomy is retained. The same can be said for Raiffeisen-type co-operative banks and credit unions. Agricultural co-ops are facing the most intense pressures to go trans-national, particularly where they are dependent on export markets or need to add value through food processing, but they can more easily do it because their members are a more concentrated interest grouping than are local consumers.

The final principle is *concern for community*. We know that this principle has had an impact, and can point to many examples where it has been put into practice. In general, consumer co-ops and credit unions have been leaders in this respect, with larger agricul-

tural co-ops remaining quite insular and member-focused (except in Japan, where they continue to have a much wider role in providing community services). What we do not know is where the trade-off between member benefits and community benefits is being made, and whether it is in the long-term interests of members.

Have the principles enabled a Co-operative Advantage?

Is there a co-op difference? Is there a co-op advantage? The difference is logically prior to the advantage: there may be a difference that confers no advantages, but we cannot have the advantage without the difference. So what is the difference? It has to be based on the core principles rather than the values; other types of organisation share similar values – trade unions, non-profits, NGOs for instance. Also, some of the principles are also held by others: concern for community and education are common to community organisations, social enterprises, charities and so on. The difference resides in the three core principles: member ownership, control and benefit. These are enough to differentiate co-ops from other types of organisation and provide arguments that give them great significance as people-centred businesses. But to make any impact the differences have to be known.

How aware are people of the co-operative difference? A recent study of mutuals in the UK shows that customers consistently trust mutual building societies more than banks, but they are not sure why. In a study of

Canadian non-financial co-ops, 60 per cent of those questioned said 'their co-op and their members did contribute to their communities in ways that are very different from other businesses'.³⁷ But they had difficulty in identifying their uniqueness, because they found it hard to separate themselves out from their community. In a qualitative study of Canadian co-op members, Fairbairn concludes 'there is a co-op difference, beneath the surface, that few people have the vocabulary to describe'.³⁸ They do grasp the difference in the ownership structure but lack a language to put this into words. The co-operative movement has not yet succeeded in communicating the ideas of member ownership, control and benefits so as to make them more explicit.

Assuming that the principles, when consciously applied, do make co-operatives different, the next question is whether this is good for their business. There are at least four logical possibilities: the principles are good for business, bad for business, have no noticeable effect on the business, or some of them are good and some bad for business. The last of these is the most plausible. For instance, it is generally assumed that providing benefits to members is good because it encourages loyalty, but that member democracy is costly and can slow down decision-making. If on balance the principles are bad for business, then it is possible that in putting principles into practice co-ops could under-perform compared with their competitors and, as a result, go bankrupt.

Have co-operatives been able to identify a co-operative advantage? Has this been more successful in some sectors than in others? Are the advantages different in each sector? Are there sectors where there is no real advantage and, if so, does this mean co-ops should only operate where there is an advantage? These are important questions with complex answers. One research project in the UK has found that, while values training for managers and co-op members does work (and has recently been rolled out to many of the consumer co-operatives in membership of Co-operatives UK), co-operative values 'are sometimes seen as something separate or extra, as additional costs and constraints on freedom, rather than an integral part of core business'.³⁹ Consumer co-ops need to develop more inclusive business strategies that include a clear statement of the co-operative difference that they are trying to deliver. This research could be a model for research on the Co-operative Advantage in other sectors and countries. In the absence of systematic findings, the table below attempts to summarise much of what we know:

There are some common themes here: high levels of trust among customers; the return of economic benefits to members; ethical trading; the avoidance of profit-taking by a separate class of investors. There are some advantages peculiar to particular sectors. In sectors such as social care, health care, home loans and pensions the quality of the product is difficult to measure, it is sold through long-term, open-ended contracts, yet exit costs are

Table 4: The Co-operative Advantage

Co-operative sector	Co-op advantages	Co-op disadvantages
Consumer co-ops	Patronage refund; ethical trading (eg fair trade, honest labelling); local knowledge; member loyalty	Customers get benefits without being members; competitors can copy advantages; risk of manager capture
Producer co-ops (agricultural, but also fisher, forestry etc)	Member benefits (better prices, patronage refund); member loyalty; share in value (bonus shares); farmer/producer control	Difficulty raising capital; slower decision making; risk of manager capture
Worker co-ops	Worker control; job security; 'decent work' (cf ILO standards); local economy	Access to capital; self-exploitation; management problems (but Mondragon system solves these?)
Health and social care co-ops	Multi-stakeholder membership (worker and consumer involvement); high trust, long term contracts	Dependence on govt contracts/ price setting; potential self-exploitation of workers; difficult to control costs; power of medical profession
Housing co-ops	Locally based; sense of community; control over environment/neighbours; quality, low cost housing; outperforms public sector	Dependence on govt grants; hard to manage; can't compete with owner occupation; legally complex (house-building co-ops for owner occupation simpler)
Credit co-ops	Locally based; low interest rates (avoids profit taking); collective guarantees (low default rate); ethical marketing	High risk of failure, leading to over-regulation; need to grow to compete with banks; manager capture; pressure to adopt high pressure marketing
Insurance/pensions co-ops and mutuals	High return (avoids profit taking); high trust, long term contracts; member benefits	Neglect of membership (leading to governance problems, capture by elite); instrumentalism (lack of co-op tradition)
Co-ops in developing countries	Potential partners in poverty reduction/local economic development strategies; delivery mechanism for health education/ insurance/credit; self-help potential; empowerment of women	Poor reputation from past mistakes; govt interference; business weakness; lack of management/ leadership skills; lack of capital; member participation

high. Here, the co-operative advantage is all about trust and good governance, yet it is in the mortgage and insurance markets that the most demutualisation has occurred. However, there is some evidence that consumers are choosing to return to mutuals, and that trust remains a real advantage.⁴⁰ In sectors such as housing, worker co-ops, and credit unions, there is a built in advantage from being locally owned and controlled. However, at this level the co-operative message can be lost because they are seen as part of a wider social or community enterprise sector.⁴¹

In developing countries, the main issue is whether co-operatives are going to be able to convince the international development community of their unique advantages in poverty reduction strategies and in achieving the Millennium Development Goals. Here a start has been made, but there is much still to be done.⁴²

The future for co-operative principles

Are the values and principles evolving? Are new principles emerging? Will we have to revise them again soon? There is a case for an environmental principle, that challenges co-ops to be concerned for the wider environment, though some people think that this is implicit in the 'concern for community'. In 1995 some co-operators were disappointed that there was no principle establishing the rights of employees to participate in decision-making and in the economic results. Against this, consumer co-operators would argue they already have employees in membership. Also, there

are a growing number of multi-stakeholder co-ops (particularly in the health and social care fields) offering joint membership between consumers and workers. In its favour is the argument that still, in many co-ops, the potential of employees is undervalued, and such a principle would force them to take notice of the issue. The Canadian Co-operatives Association has recently suggested a new principle recognising the contribution of employees. There may also be a need to introduce a principle of compliance; that any co-operative not adhering to co-operative principles should face sanctions from its national federation. This would make sense if we are to counter the understandable reluctance of successful co-ops to be identified with others that are failing to live up to their principles.

What are the threats facing the co-operative principles? They come from two opposite directions. One is to the dilution of the ownership principle through co-ops offering shareholdings with voting rights to outside investors. In this case, co-ops are assimilated to the dominant form of the investor-owned business. The other threat is dilution of the membership principle through expansion into general community-based activity, and contracting to deliver public services. In this case, co-ops could become more like the non-profit sector, losing the sense of a distinctive membership who should be rewarded with economic benefits.

What are the opportunities? Here is a sketch of an optimistic future that may be opening up. In this future, the principles will be used increasingly as a

framework for evaluation, for determining the co-operative 'bottom line' and measuring co-ops' promise against their performance. They will be used by federations to certify co-ops as being genuine and to keep up standards. Crucially, ways will be found to operationalise co-operative principles so that they provide clear competitive advantages, which co-operative managers will be motivated to implement in their day to day operations.⁴³ For instance, the member relations function will be linked to public relations, marketing and human resources, in such a way that the communications and actions of a co-op are consistent in their message and can be traced back to the principles and values.⁴⁴ In marketing the emphasis will be on 'relationship marketing' between the co-op and its members, and 'character marketing' of the co-op as a value-based business.⁴⁵

If the task of the last ten years has been to make the values and principles known, perhaps in the next ten years the emphasis should be firmly on operationalising them, making them count in co-operative business practice. If we are going to have a Principles Commission to take the work forward, this should be its main focus.

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Colombia, the host for the International Co-operative Alliance's Global Assembly – ICA

I. General information on Colombia

1. Geography

Colombia lies on the northwestern tip of South America and shares its borders with Panama, Venezuela, Brazil, Peru and Ecuador. It occupies 1,038,700 square kilometres and is the fourth largest country in South America after Brazil, Argentina and Peru. It has 2,900 kilometres of coastline, 1,600 of which face the Caribbean Sea and the remaining 1,300 lie on the Pacific Ocean. Besides its continental territory, Colombia also has various islands, the most worthy of mention being the archipelago of San Andrés y Providencia in the Caribbean Sea and Gorgona, Gorgonilla and Malpelo in the Pacific.

The Andes mountain chain divides into three separate branches upon entering Colombian terri-

tory and divides the country's several regions. These are: the Andean zone, whose main cities include Bogotá, the capital of the Republic, Medellín, Cali, Popayán, Pasto, Tunja, Manizales, Pereira, Armenia, Cúcuta, Bucaramanga, Neiva and Ibagué; the Caribbean region, in which lie Cartagena, Santa Marta, Barranquilla, Rio-



hacha, Valledupar, Sincelejo, Montería and San Andrés y Providencia; the Pacific region, with the cities of Quibdó, Buenaventura and Tumaco; and the Amazonia-Orinoquia region with the population centers of Villavencio, Florencia and Leticia.

Besides the Western, Central and Eastern mountain ranges, there are other independent massifs. The main ones are the Sierra Nevada in Santa Marta, on the Caribbean seaboard, and the Serranía de la Macarena in the east. The rest of the country is made up of lowlands: to the north the Caribbean plains, to the west the coastal and agrarian Pacific strip and to the east the flatlands of Orinoquia and the tropical jungles of the Amazonia.

Coffee is the principal crop of the highlands (Colombia is the world's second largest producer). 95% of the world's production of emeralds is extracted from the rich subsoil in addition to sizeable quantities of gold, silver, platinum, copper, uranium and other minerals. With the deposits discovered in the Guajira peninsula, Colombia possesses the greatest carboniferous reserves in Latin America.

2. Climate

Even though Colombia lies in the equatorial zone, the Andes mountain range confers upon the country a great variety in topography which ranges from humid jungles and tropical plains to barrens and regions of perpetual snowfall. The climatic variations therefore do not obey the seasons, but depend on the altitude, since the temperature drops approximately

6 °C for every 1,000 meters of elevation. At sea level, the temperature oscillates close to 30 °C.

Even though there are no seasons in Colombia and the climate in each region remains relatively stable throughout the year, there are slight variations due to the dry and rainy seasons. The dry season lasts from December to January and from July to August and the rainy season lasts from April until May and from October to November, although these can deviate significantly.

3. Population

Colombia has an approximate population of 44 million people, of which 74% live in the cities and the rest in rural areas. Women make up 51% of the Colombian population. The most densely populated region is the Andean one, since 75% of the national population is concentrated here. It is followed by the Caribbean coast with 21%, while only 4% of Colombians live in the vast regions of Orinoquia and Amazonia.

Bogotá, situated in the geographic centre of the country in the Andean region is 2,630 metres above sea level and has a daily average temperature between 12 °C and 20 °C. It is home to 7 million people, making it the largest urban centre of the country, followed by Medellín in the Northeast with 3.0 million, Cali – in the Southeast – with 2.8 million and Barranquilla and Cartagena – on the Caribbean coast – with 1.8 and close to 1.0 million people, respectively.

The growth rate of the population is 1.9% and it is estimated that by 2015, the

population will have reached 52.6 million people. The life expectancy upon birth is, on average, 72 years (69 for men and 75 for women). The child morbidity rate is 25 per thousand. 91% of the population has access to drinkable water and 92% of the population is literate.

The majority of the Colombian population is half-caste, a mix between Spaniards and their descendants and the indigenous races that inhabited the region before the colonisation and the blacks that were originally brought as slaves. This racial diversity contributes to giving Colombia an extraordinary richness of folkloric and cultural traditions, as well as cuisines.

4. Administrative and political system

Colombia is a democratic state built under the framework of a unitarian republic with a presidential government system. The Parliament is made up of two houses, the Senate (102 members) and the Chamber of Representatives (161 members). The highest judicial power lies with the Constitutional Court, the Supreme Court of Justice and the Council of State.

The President of the Republic is elected to serve terms of 4 years. Álvaro Uribe Vélez is the current President of Colombia.

Colombia is divided administratively into 32 departments (states) and a Capital District (Bogotá). There are a total of 1,098 municipalities.

5. Economy

The variety of topographic and climatic ambiences also results in a tremen-

dous diversity of agricultural products. Coffee, the main agricultural and export product, is grown in the temperate zones of the mountainsides. Citric and other varieties of fruit, as well as tomato, jute, maize, beans, yucca and cereals are also grown in these temperate regions. Cotton, banana, rice, sugarcane, African palm, cocoa, tobacco, sorghum, soy and countless other tropical fruits like pineapple, papaya, coconut and mango are grown in the warmer regions. Colombia exports a number of agricultural products, which include, besides coffee, banana and other exotic fruits.

There are vast cattle-raising zones, mostly in the plains of the Caribbean coast and in the Eastern plains, as well as in the Bogotá savannah which is rife with herds of milk cows. The coasts of both oceans and the extensive pluvial network provide vast fishing resources as well.

Mining is an economic sector of great importance and one of the main export items. Worthy of mention are the carboniferous reserves in the North and the oil deposits in the East. Colombia is the world's foremost producer of excellent-quality emeralds and also occupies an important place in the production of platinum, gold and silver.

The most noteworthy industries in the country are: clothing and textiles, iron and steel, chemical, petrochemical, plastic, leather, graphic arts and food and beverage.

II. Macroeconomic data on the country

1. Inflation

The consumer price index, CPI, which reflects inflationary behaviour, experienced an increment of 5.5% in 2004, a number that had not been registered since 1955 when this same index reached 2.03%. The goal set forth by the Bank of the Republic was met since it was fixed between 5% and 6%, demonstrating that the economy in matters of prices is very stable and that such aspects as the flow of remittances, the rise in the price of gasoline or the national transportation strike were not able to deviate the goal set forth by the government.

The transportation sector registered the highest increases in 2004, with a variation of 8.06%, reflecting the rise in the cost of fuels, followed by the health sector with a 6.99% increase and lastly the education sector with a rise of 5.69%, with a noticeable increase in the price of textbooks of 11.77%. The price of food experienced a rise of 5.43%.

For the year 2005, the goal established by the Bank of the Republic is fixed between 4.5% and 5.5%, quite in keeping with the current price situation in the economy.

In 2004, the American dollar experienced a 13.98% devaluation with respect to the Colombian peso, with a representative market exchange rate on December 31st 2004 of 2389.75 pesos per dollar as opposed to the 2778.21 pesos per dollar that was registered at the close of 2003.

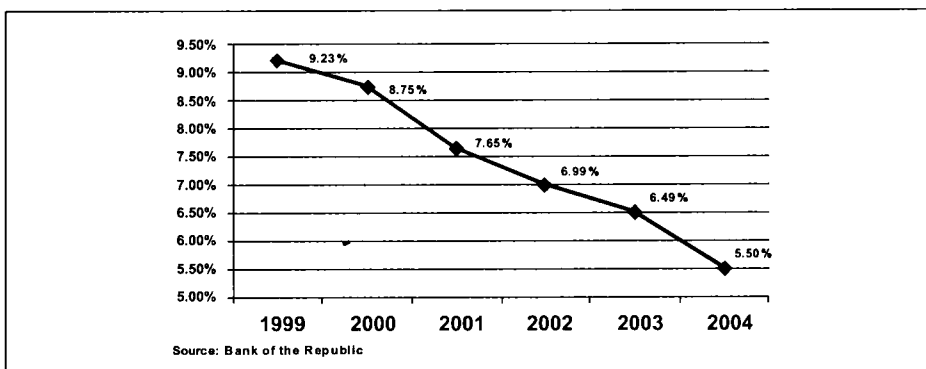
2. Production

The observed growth of the Colombian economy during 2004 (3.96%) was similar to that of 2003, during which a variation of 4.02% was registered. In earlier years, the changes in GDP were: 0.57% in 1998, -4.20% in 1999, 2.92% in 2000, 1.47% in 2001 and 1.93% in 2002.

The accumulated growth of GDP in the fourth quarter of 2004 was 4.43% with respect to the same period in 2003 and 1.89% with respect to the quarter immediately preceding it.

When breaking down the results of

12 month CPI variation



GDP in 2004 by sectors, the following variations presented themselves: agriculture, silviculture, hunting and fishing 2.09%; mines and quarries exploitation 2.82%; gas, electricity and water 2.91%; manufacturing industry 4.77%; construction 10.65%; commerce, repair services, restaurants and hotels 5.62%; transport, storage and communications 5.05%; financial establishments, insurance, real estate and company services 4.33%; social, communal and personal services 2.76%, all with respect to the total for the year 2003.

3. Employment

The unemployment rate as of December 2004 was 12.15% on a national level and 12.96% for the thirteen metropolitan areas. If we compare these figures with those of last year one can appreciate a slight decrease in the national unemployment rate since this same figure in 2003 was registered at 12.34%. For the thirteen metropolitan areas the decrease in the national unemployment rate was even greater,

since for 2003 it was registered at 14.74%.

It is worth mentioning that the behaviour of the unemployment rate during 2004 showed a clear tendency to decrease not only in the national total but also in the metropolitan areas' rate.

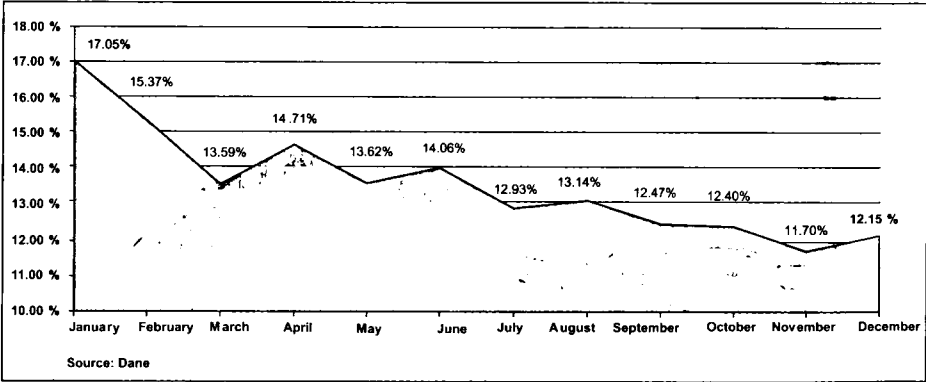
Thus at the end of 2004 there were 2,449,297 unemployed people in Colombia, as opposed to the 2,549,858 unemployed at the close of 2003, which translates into 100,561 new jobs.

The national underemployment rate also showed a slight decrease as it moved from 31.87% in 2003 to 30.59% in 2004; that is to say, at the end of 2004 there were 6,166,908 underemployed people in contrast to the 6,587,663 of only 12 months before.

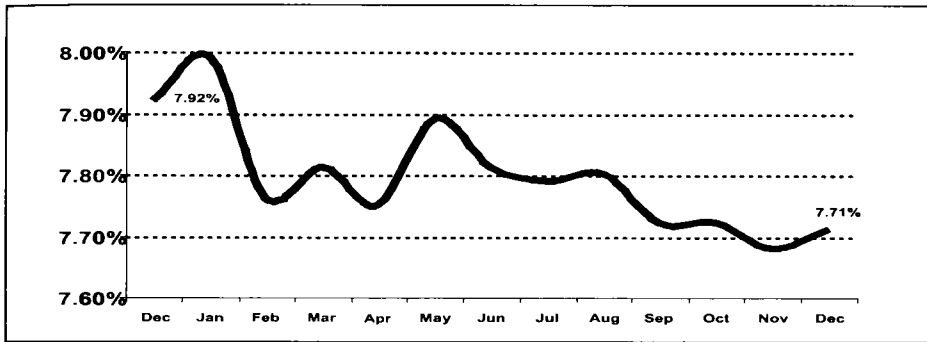
4. Interest rates

The year 2004 exhibited very stable behaviour, mostly due to monetary policy, which in the face of weak inflationary pressures did not take any strong contractionary measures.

National Unemployment Rate 2004



DTF Evolution 2004



The DTF reference interest rate for savings started out the year at 7.92% and reached its peak during the second week of March when it was registered at 8.02%, and later it oscillated around 7.80% to finally reach a minimum of 7.61% during the second week of October. At the end of the year, the representative interest rate for savings for the various financial institutions was 7.71%.

The active interest rates or the interest rates for loans in the financial sector exhibited stability. The average consumption rate started out the year at 26.69% and finalised at 24.98% and the common credit rate began at 18.03% and ended at 16.67%.

The rate at which banks loan each other money presented a very stable, downward behaviour as it closed at 6.5% as compared to the 7.4% from the beginning of the year. From the point of view of liquidity, this reflects the good shape that the financial institutions are in, a fact that is confirmed when one observes the monetary aggregates.

The financial intermediary margin remained stable and due to the good state of liquidity and the brisk rhythm of economic growth the financial institutions consolidated a very good year.

5. Stock market

The General Index of the Colombian Stock Market (IGBC) reflected a good year for stock holders, making it one of the most profitable stock markets in the world. In 2004, the value of the IGBC reached 86.03%, illustrating the internal economic stability, the social security policy and the decrease in risk in the country.

The titles that represent public debt, whether external or internal – TES, experienced a complicated year at the end of April, when the uncertainty about the United States' economic measures generated speculation and its consequent effects on the prices of these emerging countries' titles, especially in Brazil, which is the benchmark for foreign investors in this type of instrument. In the end, the northern country's measures did not turn out to be drastic and the prices of these titles

recovered at the end of the year in keeping with the inverse correlation that has existed between the behaviour of the price of the debts and the American currency.

6. Exports

According to the export declarations processed by the DANE during 2004, the external sales of the country increased by 25.9% relative to the sales of 2003, going from \$13.092 million USD (FOB) to \$16.483 USD (FOB).

This increase is due mostly to the 25.8% increment in the exports of non-traditional products which alone contributed 13.9 percent points to the total variation in exports. This result has come about because of the heightened sales in vehicles and parts, clothing, plastic materials, foodstuffs, beverages and tobacco.

Without including the export of gold and emeralds in the non-traditional category, a 29.0% increase was observed when comparing 2004 to 2003.

By country, the greatest increment was registered in the quantity of products sold to Venezuela with a 130.9% increase. According to tariff records, this increase was due in large part by the increased sales of vehicles and parts and live animals.

The United States is the main destination of Colombian exports, since it received 39.5% of total exports during 2004 and represented a monetary value of \$6.504 million USD (FOB). It was followed by the member countries of the Andean community with 19.4%

and the countries of the European Union, which participated in 13.9% of export transactions.

III. The co-operative movement in Colombia

1. The judicial regulation of the co-operative movement in Colombia. Seven decades of development

The first manifestations of the co-operative movement in Colombia came about with the dawn of the 20th century, promoted under the influence, in part, of influential political and social leaders who learned about the model in Europe and in Canada. It was also promoted through the social action of the Catholic Church that helped organise mutual help organisations among the most popular sectors of the community.

In a speech about democratic socialism by Rafael Uribe Uribe, Colombian general and statesman, recorded in the first number of the newspaper *El Liberal* that began circulation in April 1911, he pointed out that, "instead of the monarchical and paternalistic form of production, there will come a day when the co-operative type, more efficient and just in terms of giving the workers, that is, those that perform the job and create the product, the proportional part that corresponds to them."

Five years later, in 1916, during the government headed by José Vicente Concha, that his Secretary of Agriculture and Commerce, Benjamín Herrera – who would later be President of Colombia – presented before the Con-

gress of the Republic the first legislative project aimed at regulating the co-operative model.

But it was only in 1931 with the passage of Law 134 of that year that the co-operative movement in Colombia, whose presence was yet weak in the economic and social environment of the country, had its first judicial framework of note in the national judicial arena. This law came about more out of the interest of the government and the support of the Congress at the time than from a real need in the sector, which, as was already mentioned, was barely beginning to show itself as an eventual alternative to communities. Later on, Law 138 of 1936 introduced some modifications to Law 134 and expedited some regulatory decrees that began to create the judicial framework of the Colombian co-operative movement.

This legal framework served as the basis for the promotion and the acceptance of the co-operative as an instrument of social and economic development, of special interest among the less-developed communities and with the impetus of social leaders linked to the Catholic Church, the workers' associations and the first trade unions that began to surface in the 1940s.

Around this time, the national government, which was interested in the promotion of co-operatives, created a department in charge of their supervision that was ascribed to the then Secretary of Development and Industry, later known as the Secretary of Labour.

In 1963, the national government,

wanting to update co-operative legislation, expedited Decree 1598, through which it introduced, especially for savings and credit co-operatives, the concept of specialisation and allowed said entities to hold savings from its members and from third parties without any restriction. However, the level of co-operative entrepreneurial development at the time did not allow for an ample development in this activity, and thus it remained a marginalised industry of only a few co-operatives which had taken up this activity.

The said Decree created the National Co-operative Superintendence, an autonomous branch in charge of the specialised supervision of co-operatives, and functioned as such until 1982, when its structure was reformed through Law 24 of that year, giving way to the creation of the National Department of Co-operative Administration – Dancoop. This was a government branch of technical character and of similar rank to a ministry, to which were ascribed the functions of vigilance and control, on the one hand, and of promotion and development, on the other. Such an arrangement functioned until August 1998, when a new reform was produced that modified the public institutionalism related to the sector, as we shall see later on.

In 1988, with a report by the current President of Colombia, Álvaro Uribe Vélez, who was then functioning as a Senator of the Republic, the national government approved Law 79 of that year that updated co-operative legislation. This law, with some subsequent adjustments, continues to be the judi-

cial framework for the Colombian co-operative movement.

As a relevant theme within this law, one can mention the recognition of savings and credit co-operatives, as well as integration organisations which were developing such activities, as financial institutions. It is important to mention that for the first time in the history of the country the organisation of financial institutions under the co-operative judicial model, in all its different modalities, was allowed. This led, in practical terms and during the early 90's, towards the creation of three co-operative banks.

Law 454 was passed in 1998 and established a new public and institutional map for the sector, reforming the Dancoop and creating the National Department of the Social Economy – Dansocial, a branch in charge of the promotion and the development of co-operatives. It also created the Superintendence of the Social Economy, which is responsible for the functions of vigilance and control and also opened the possibility of the creation of a Co-operative Entities Fund of Guarantees, a proposal that was made reality months later with the creation of Fogacoop.

Said law also saw to the regulation of the financial activities of co-operatives, which were severely affected by the profound crisis that the sector experienced during the years 1996 and 1997.

The separation of the state's promotion and development functions from its vigilance and control ones, which for two decades had been under the control of a single state branch – Dancoop,

and the creation of an autonomous entity specialised in seeing to these last functions has been an important step towards the process of growth in the co-operative sector, which today can count on specialised and technical mechanisms of supervision (illustrated by a growing tendency to formalise the sector), the presentation of statistical and financial information and the control of associative figures. All of these benefit the more than 3 million members which the system has to this day.

In recognition of the importance and uniqueness of judicially organising co-operatives in Colombia, the Political Constitution adopted in 1991 created a special chapter that recognises the social and associative forms of property, of which the co-operative model is the most widely recognised and applied. In effect, the Magna Carta explicitly mentions the promotion of said associative forms as a means of democratising property, of guaranteeing access to healthcare services to the community, of executing housing programmes of a social nature and of promoting the access of agrarian workers to land and determines that, as a constitutional mandate, it is the job of the government to strengthen this type of organisations and to promote their commercial development.

Furthermore, the current National Development Plan established a special paragraph on the promotion and the development of co-operativism as a necessary instrument in the search for social equity, a cornerstone of the current government's policies. Said guideline suggests, among other pro-

posals, that the government take into account the ILO's Recommendation 193 from 2002 about the promotion of co-operatives all over the world.

The normative, doctrinal and jurisprudential development of co-operative matters in Colombia, as well as the state's supervision structures, are considered important reference points for other countries in the region, in which, at the same time, the growth and commercial consolidation of our organisations are duly recognised.

2. The integration of unions as a support for sectorial consolidation

Social and union integration points to the association of efforts directed towards unifying the co-operative movement's defensive and representative actions on a national and international level. To such ends, base or first tier co-operatives will be able to associate themselves into second tier organisations of a national or regional character and these in turn will be able to create third tier organisations of an associative nature.

Through these blueprints of integration, the local, regional and national co-operative movements can express before the many economic, social, political, public and private actors their sectorial concerns and be able to forward any actions that represent their interests. The permanent communication with the various instances of the Executive and Judicial powers, the defensive actions before the jurisdictional branch, the interrelations with the various production unions and a permanent voice for the movement, are, among others, the

essence of co-operative and union integration and calls for a proper dynamic form, with the presence of permanent and multiple fronts of activity.

Thus the importance of a strong scheme of integration that picks up the diverse expressions of the co-operative movement and that backs up the actions entrusted to the union leadership, be it at a local or at a national level.

The co-operative integration process in Colombia has had an important and productive impulse for many years now, having made concrete the Agreement of Integration subscribed to in 2001 in Cartagena, which translates itself into the participation of the 20 existing Regional Associations of Colombia in the workings of the Co-operative Confederation of Colombia – Confecoop, and also in the strengthening of the regional presence and communications, the widening of the member base and the positioning of the sector as a true actor in the socio-economic process.

Confecoop has retaken the spaces of sectorial leadership and has become a permanent guest in the debates relating to the subjects of interest to the sector, which are made known to our affiliates through various channels and communications strategies.

Of course, the reach of the union management covers not only our affiliates, who also benefit from the privilege of being integrated into our entity, but also, in many cases, to the whole sector since the interest in the defense of unions is born from a desire for the general good.

Having mentioned this, we always call out to those who are still not a part of the process of integration, in keeping with co-operative principles and with the benefits of a plan for integration, be it economic or union-based, to put it into practice not only to strengthen the movement but to also be able to count on an efficient instrument, within each and every one of your co-operative organisations, aimed at the construction of an economic model with a recognisable influence and social impact that allows the promotion of the co-operative model as a real instrument of development and as an alternative to overcoming the asymmetries of a society like Colombia's.

The International Co-operative Alliance – ICA, has recognised the national co-operative movement's leadership, the active participation under the ICA's higher instances of integration, the growing efforts to unify all defensive and representative actions, the successful and commercial developments that today's Colombian co-operative movement demonstrates in several fields, the movement's importance in national figures and its capacity for efficient communication with both public and private sectors. The ICA, in its Oslo General Assembly, unanimously approved the celebration of the next co-operative world forum in the city of Cartagena de Indias in September 2005.

3. Economic integration. A co-operative principle and a commercial practice in the face of market realities

Cooperation between co-operatives, the sixth universally adopted co-oper-

ative principle states that, "co-operatives serve their members more efficiently and strengthen the co-operative movement by working together through local, national, regional and international structures."

This doctrinarian principle was instituted by Colombian laws through the fifth numeral of the fifth article of Law 179 of 1988, which states as one of the requirements that a co-operative must meet that "it integrate itself socially and economically into the co-operative sector", a requirement that was later adopted by Law 454 of 1998 to apply to all of the social economy's entities.

Economic integration seeks the association of co-operatives amongst each other so that they may better meet their economic goals. It is crystallised through the creation of second tier organisations of a co-operative character, be they of a national, regional or local nature, whose fundamental purpose is to support and complement the objectives of the base co-operatives that created it, keeping in mind the specialty of their social objective in any given branch or activity.

Taking advantage of economies of scale, this mechanism of integration allows co-operatives to improve their working environment, to expand their access to new markets, to extend the coverage of the productive chain to which the integrated entities belong, to take advantage of the installed technological infrastructure and to strengthen and make more efficient administrative processes so as to obtain noticeable results in management.

Co-operative entities like La Equidad de Seguros, with a social base of 1270 associated co-operatives, Saludcoop, the first health service provider enterprise, with a greater coverage than the state's own Social Security, Aseguradora Solidaria de Colombia and Coomeva, ranked among the most important companies in the country, serve as a practical example to highlight the benefits of this mechanism of cooperation among co-operatives. They develop various business fronts throughout dynamic, specialised and financially solid business groups.

Another co-operative model of integration is the one developed by Copidrogas 35 years ago in which small proprietors of 2663 pharmacies and local drug stores associate themselves with the co-operative to take advantage of economies of scale and to remain in and colonise new segments of service coverage under the conditions of an absolutely competitive market in the face of large chains, multinationals in many cases, that operate within this segment of the market. Coratiendas has been operating an identical model for close to three decades, gathering small shopkeepers from the neighborhoods of Bogotá and the municipalities located in its area of influence.

In today's modern world it is imperative for small businesses to create new co-operative enterprises under these guidelines, to share logistic and systemic infrastructures and to standardise administrative procedures if they intend to remain in the market without falling under the sphere of influence of

the large commercial chains. Therefore, a greater comprehension and promotion of the benefits of this co-operative structure are needed, especially in times like these when the process of the globalisation of economies and of their markets forces a greater degree of efficiency and competitiveness.

4. The socio-economic importance of co-operativism today

As of December 31st 2004, there were 5,189 co-operatives that generated 140,394 direct jobs in Colombia and had 3,002, 958 members. These co-operatives, located in 900 of the 1,098 municipalities of Colombia, reported assets of \$4.636 million USD.

If one takes into account the geographic distribution of the members of the social economic sector by location, one can observe that Bogotá, Antioquia, Valle and Santander – the main nuclei of development in the country – gather around 80% of the assets, 83% of the liabilities, 74% of the patrimony, 69% of the income and 79% of the surplus.

One can surmise the high participation that the co-operative movement has within the social economic sector and how the movement has been growing to become one of the main actors of the national economy, participating in the majority of the branches of economic activity and reaching even the most remote rural areas of the country.

The contributions that the co-operative model makes to the country from a socio-political and macroeconomic point of view are also important given that it increases employment levels, raises standards of living, promotes a

fairer distribution of income, decreases the level of poverty and helps with the processes of education. It does this all based on a doctrine that has proved time and again how organisations based on solidarity can function under any current of economic thought and can, in certain circumstances, solve some of the necessities which are not taken care of under the economic model of a given country or region.

Given the economic conditions of the country and of the entities that make up the social economy, 52.79% of businesses are micro-businesses, 35.97% are small businesses, 8.71% are medium businesses and 2.53% are large businesses, it is easy to see the potential for social and economic growth in the country; all large companies at some point of their existences started out as micro or small businesses, and even though it may be true that in their stages of growth some will not be able to meet their goals, the model contributes toward the creation and promotion of productive units, a process that cannot be promoted in its totality by the public administration of a developing country like ours.

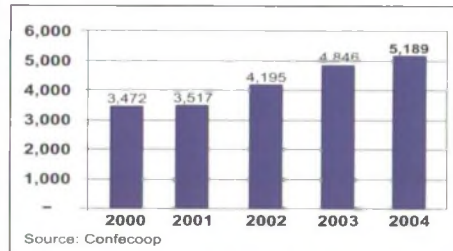
5. Progress over the last five years

With respect to the number of co-operatives, at the end of 2004 their number escalated to 5,189, that is to say, there were 343 new co-operatives with respect to 2003, an increment that represents a 7% increase in the number of co-operatives.

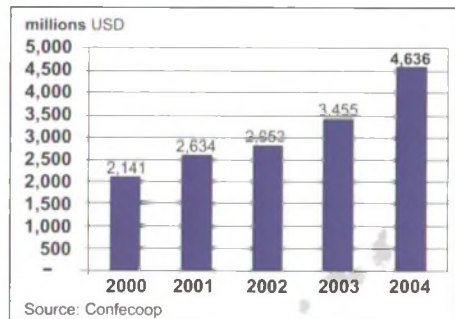
During the last five years 1,717 new co-operative companies were registered, which in percent terms is equal to a growth of 49.45%.

This behavior demonstrates the trust that people put in the model, besides an important culture of information that goes hand in hand with the greater levels of education and technology in co-operative enterprises.

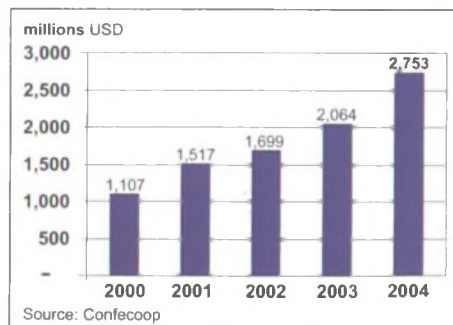
**Co-operative Sector
Evolution in the Number of Entities**



**Co-operative Sector
Evolution of Assets**



**Co-operative Sector
Evolution of Liabilities**



As one can surmise from the graph of the volume of co-operative assets, there was a variation last year of \$1.180 million USD (34.16%) and of \$2.495 million USD for the last five years (116.52%). The period from 2003-2004 presents the greatest variation.

Throughout last year, the co-operative sector's liabilities grew by 33.41%, that is to say, by \$690 million USD, and during the last five years by 148.83% which is equal to \$1.647 million USD.

The patrimonial strengthening of the co-operative sector has been likewise important, coming to a total of \$1.882 million USD at the end of 2004, an increase of 35.28% (\$491 million USD) with respect to 2003. For the period in question, the total increase is equal to \$848 million USD (81.95%).

The co-operative sector's income, which represents 5.20% of national production, shows an annual growth rate of 29.15% (\$1.257 million USD) at the end of 2004. During the last five years this increase has been in the order of \$2.973 million USD (114.44%).

3. Analysis by sectors

3.1 Financial co-operative sector

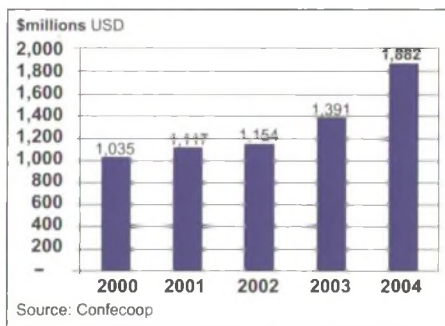
Consolidating the information on those co-operative entities that perform a financial role, supervised by both the Banking Superintendence and the Superintendence of the Social Economy, the following information is obtained:

The total number of co-operative entities in the sample was 225, six supervised by the Banking Superintendence,

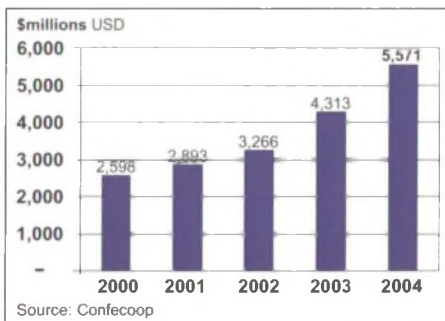
five of which are financial co-operatives and one large scale co-operative organisation of financial character; and 219 supervised by the Superintendence of the Social Economy of which 124 are co-operatives specialised in savings and credit and 95 are integral co-operatives with multiple activities and with savings and credit functions.

The assets of the co-operative financial sector totalled \$1.985 million USD at the close of 2004. This figure shows an annual increase of 32.41% with respect to the \$1.499 million USD reported in December 2003. This volume represents 4.13% of the financial sector supervised by the Banking Superintendence.

**Co-operative Sector
Patrimony Evolution**



**Co-operative Sector
Income Evolution**

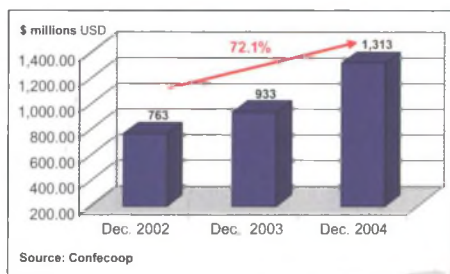


As the main asset of those co-operatives which perform a financial activity, the credit portfolio in gross terms reached \$1.313 million USD at the close of 2004 as opposed to the \$944 million USD from 2003, which represents an annual growth rate of 39.07%, higher than the gross portfolio growth of the financial sector which was in the order of 30.88% annually.

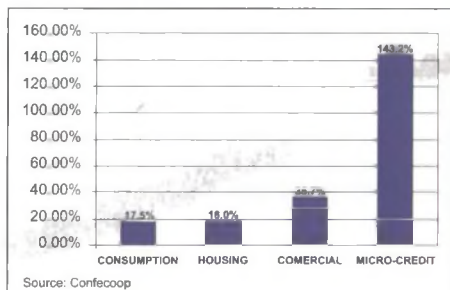
These portfolio figures make up 5.62% of the financial sector's portfolio, which at the end of 2004 ascended to a total of \$23.379 million USD.

The type of portfolio that presents the greatest dynamic character was that of the micro-credit with an annual growth of 143.2%, which in absolute

**Co-operative Sector's
Gross Portfolio growth**



**Co-operative Financial Sector
Growth by Portfolio Type 2003-2004**



terms is equal to \$6.6 million USD of resources. This important increase in the micro-credit portfolio is fundamental to improving the population's standards of living and the distribution of income since financing new productive projects for micro, small and medium businesses strengthens the productive apparatus of the country and generates higher levels of production and employment.

Commercial, consumption and housing portfolios also experienced important increases of 35.7%, 17.5% and 18.0% respectively.

The portfolio quality index, given as the gross proportion of the portfolio which presents maturities longer than 90 days, is 3.89%, quite close to the index presented by the traditional financial sector which was 3.31%.

Deposits are the principal variable within financial co-operatives' liabilities, they represent 55.61% of total liabilities, which translates into a low degree of leverage for this variable, in keeping with the established policies of the co-operative sector as to holding resources. Financial co-operatives' main leverage is upheld mainly through capital of a social contributive type.

These deposits, however, have shown a growth of 36.67% in annual terms and reached \$695 million USD by the end of 2004, which is equal to 2.19% of the deposits in the financial sector. This is a reflection of the trust that associates, and the general public, place on the co-operative financial model, which offers a diverse array of savings alternatives.

With \$735 million USD at the close of 2004, and with an annual growth rate of 33.02%, financial co-operatives' patrimony is the variable that in terms of equivalence with the total financial sector presents the highest value, which is 12.62% of the total patrimony.

The surplus for co-operatives engaged in financial activities at the end of 2004 increased to \$49 million USD, which is equal to 4% of the total utilities of the financial sector.

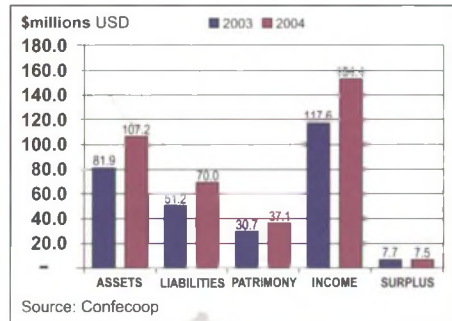
3.2 Insurance co-operative sector

Insurance co-operatives' assets at the close of 2004 escalated to \$107 million USD, a figure that is 30.86% greater than the one registered at the end of 2003, which saw these companies' assets total \$82 million USD. This volume of assets over the total Colombian insurance sector's represents 3.62% in the case of companies dedicated to general insurance, of which there are 25 (2 are co-operatives) and 1.20% in the case of the 21 companies which are dedicated to life insurance (1 is a co-operative).

Insurance co-operatives' liabilities at the close of 2004 presented a volume of \$70 million USD, and when compared with the \$51 million USD of 2003 gives a total annual growth of 36.81%. Co-operatives make up 3.25% of the total general insurance sector, and 1.19% of all life insurance companies.

Insurance co-operatives' patrimonies grew 20.94% from 2003 to 2004, totaling \$37 million USD, a figure which represents 4.39% of general insurers' total and 1.21% of the life insurance industry's.

Co-operative Insurance Sector Principal Variable Behavior



The insurance co-operative sector experienced a favorable variance in income at the end of 2004 with respect to 2003 since there was a 31.22% increase, leading to a total of \$154 million USD, a figure that is \$37 million USD higher than the one registered at the close of 2003.

In the case of surplus, one can notice a decrease of 2.27% when compared to the results of 2003, closing out the year with \$7.5 million USD in December of 2004. At the end of 2004, the profitability indicators of general insurance co-operatives with respect to their assets and their patrimonies were 8.74% (ROA) and 22.63% (ROE) respectively, beating the rest of the general insurance companies' who registered for these same indicators values of 4.52% (ROA) and 14.23% (ROE).

For the co-operative life insurance sector the profitability over assets (ROA) reached 1.90% and profitability over patrimony (ROE) was registered at 8.29%. The total amount of debt until 2004 reached 77.08%.

Investment is the single most impor-

tant variable within the asset structure, climbing in 2004 to a total of \$60.6 million USD, or 56.57% of total assets.

On the other hand, the most important variables within the liability structure of the co-operative insurance sector are technical insurance reserves and capitalisation, which at the close of 2004 ascended to \$57 million USD, equivalent to 81.30% of their total liabilities.

3.3 Workers' co-operatives sector

At the end of 2004, the 1,985 workers' co-operatives reported assets of \$215 million USD, \$51 million USD more than in 2003 when these assets were counted at \$164 million USD, which is equal to an annual growth of 30.92%.

Liabilities reached a total value of \$147 million USD, that is to say, 26.16% more than at the end of the previous year when these climbed to a total of \$116 million USD. Moreover, patrimony at the close of 2004 was registered at \$68.5 million USD, meaning an annual growth of 42.39% from the \$48 million USD from 2003.

The total income for 2004 of \$682 million USD demonstrates a variation of 4.94% with respect to the \$650 million USD of the year before.

lion USD demonstrates a variation of 4.94% with respect to the \$650 million USD of the year before.

The surplus for workers' co-operatives at the end of 2004 was \$3 million USD, 18.92% greater than in 2003 when they totalled \$2.5 million USD.

Workers' co-operatives have 212,000 associated workers and 35,000 employees.

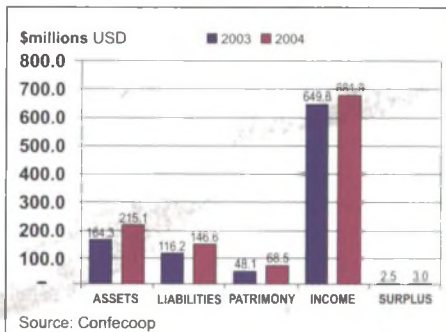
Looking at their contribution within the co-operative sector, however, it can be seen that theirs assets contribute 4.64% to the total assets of the co-operative sector, 5.32% of liabilities, 3.64% of patrimony, 12.24% of income and 2.25% of surplus. Workers' co-operatives represent 38.2% of the total number of entities in the co-operative sector.

During the course of 2004, 247 new workers' co-operatives were created in Colombia, which translates into a growth of 14.21% in the number of enterprises of this nature.

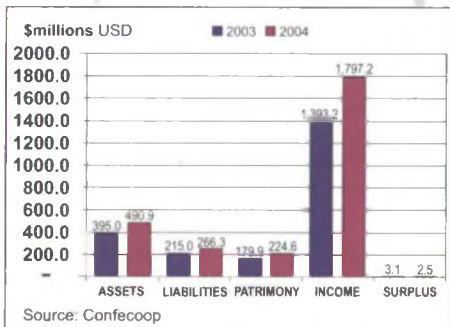
3.4 Agricultural co-operative sector

The co-operative entities of the agricultural sector, whose number reaches

**Workers' Co-operatives Sector
Behavior of Principal Variable**



**Agricultural Co-operatives Sector
Behavior of Principal Variables**



521, have assets of \$491 million USD, liabilities of \$266 million USD, patrimony of \$225 million USD, income of \$1.797 million USD and a surplus of \$2.5 million USD. On the other hand, these co-operatives associate 147,570 people and generate 10,500 jobs.

Within the figures of the entire co-operative sector, the contribution of the agricultural sector's assets is 10.59%, 9.67% of liabilities, 11.93% patrimony, 32.26% of income and 1.85% of surplus. With respect to the number of members and employees, it makes up 4.91% and 7.48%, respectively.

As observed in the graph above, the changes that the co-operative agricultural sector experienced in the last year were positive, taking into account the fact that their assets grew by 24.28%, their liabilities by 23.84%, their patrimony by 24.81% and their income by 29.00%.

It is worth mentioning that the surplus category suffered a decrease of 20.50%, mainly as a consequence of the revaluation phenomenon that directly affected exporters' incomes, an effect that becomes evident at the end of the year given that a large proportion of agricultural co-operatives are involved in export activities.

3.5 Co-operative health services sector

The social economic sector participates in the Social Security and Health System with 4 EPS co-operatives, 9 ARS's of a co-operative and mutual nature and 64 IPS co-operatives.

In what pertains to those health pro-

moting entities (EPS), their assets grew to \$357 million USD, 25% greater than those registered in 2003 when they figured at \$287 million USD. Their liabilities increased by 19% from last year and reached \$181 million USD. Their level of patrimony at the end of the year was \$143 million USD, 36% more than in 2003 when it was at \$106 million USD. These entities received incomes in 2004 of \$1,016 million, 45% more than the \$700 million reported in 2003. For their part, these co-operative entities registered \$14 million USD of surplus, generated close to 25,000 jobs and have a national coverage that includes 900 of the country's municipalities.

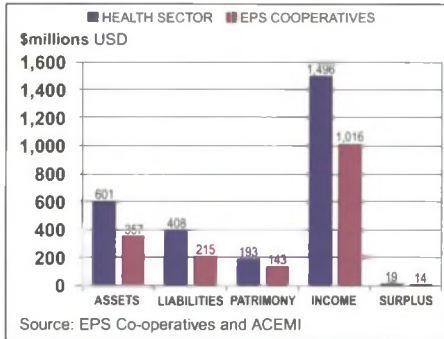
When comparing these figures to the co-operative sector in general, one finds that the assets make up 10% of total assets, 10% of liabilities, 9% of patrimony, 24% of income and 18% of employment.

If one compares the figures of the four EPS co-operatives with those of the 15 health service companies, one finds that their assets have a participation of 59%, their liabilities of 53%, their patrimony of 74%, their income of 68% and their surplus of 72%.

Furthermore, with respect to the number of compensated users, the health service providers' sector reports a total of 11,329,815 people, of which 6,114,937 correspond to the co-operative health service sector, or 54% of the said population.

As for the ARSs, a group made up of 9 companies of a co-operative or mutual nature (this report was able to obtain

EPS Co-operatives vs. Health Sector



the figures on only 8 of them), they reported that their assets increased to a total of \$106 million USD, their liabilities were \$84 million USD, their patrimony was \$21 million USD and their income totalled \$331 million USD.

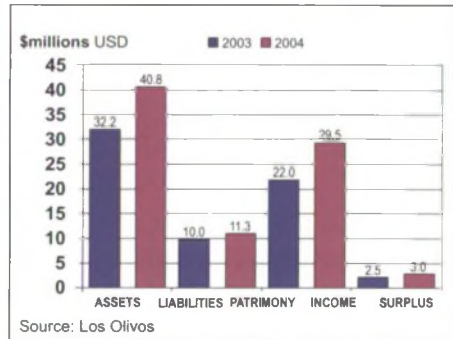
Additionally, these companies generated 2,932 jobs and had 4,238,459 compensated users.

According to the figures released by DANE in December of 2004, the total population of Colombia was 44,186,913 people, from which one can deduce that 13.84% of Colombians are affiliated to a co-operatively owned EPS and that 23.43% of Colombians benefit from the services of a co-operative health provider, be it in a subsidised or contributive regime. These conclusions were drawn from the fact that the total number of compensated users of EPS co-operatives increased to 6,114,937 and those of the ARSs ascended to 4,238,459.

3.6 Funeral Service Sector

The 16 entities that specialise in funeral services registered total assets of \$41 million USD in December 2004,

Evolution of Funerary Co-operatives



a figure that is 26.69% higher than the one reported the year before. Liabilities demonstrated a growth equal to 13.55%, closing out 2004 at \$11.3 million USD.

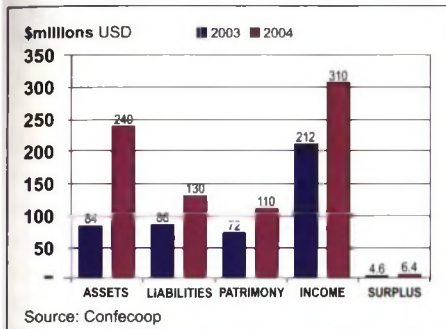
The patrimony variable was the one that presented the greatest annual increase, 33.96%, to total \$29.5 million USD, which is \$7.5 million USD more than at the end of 2003.

The surplus of funeral service co-operatives totalled \$3 million USD, meaning it increased by an annual rate of 33.96%, that is to say, \$0.5 million USD more than at the end of 2003.

Today, these co-operative entities protect 615,737 families, 14,255 more than last year, and thus the services rendered have increased by an annual rate of 1.95% to total 31,603. These co-operatives utilise an infrastructure which includes 53 self-owned offices and 223 vigil palours.

Over the course of 2004, these entities welcomed 107 new direct collaborators, with whom they reached a total number of 780, a 15.90% increase from the 2003 figure of 673 employees.

Transport Co-operative Sector Behavior of Principale Variables



3.7 Private security and vigilance co-operative sector

The co-operative activity of private vigilance and security has been developed under the workers' co-operatives model. The figures on 46 of the 49 companies supervised by the Private Security and Vigilance Superintendence indicate that the assets of this sub-sector had grown to \$19 million USD by the end of 2004, their liabilities were at \$6.76 million USD, their patrimony was registered at \$12.24 million USD, their income was \$40.27 million USD and their surplus was \$0.54 million USD. These co-operatives have 11,493 members.

3.8 Transport co-operative sector

This type of co-operative entity, which is under the supervision of the Port and Transport Superintendence, experienced quite a dynamic year in 2004. The assets of these 655 entities ascended to a total of \$240 million USD, a figure that is 187% greater than the one reported in 2003 when 565 co-operatives presented assets of \$84 million USD.

The liabilities of this sub-sector closed out at \$130 million USD in 2004, which when compared to the \$86 million USD of 2003, equals an annual growth of 52%.

Transport co-operatives' patrimony grew by 52.4% during 2004 to reach a total of \$110 million USD, that is, \$38 million USD more than in 2003.

During the year 2004, transport co-operatives increased their incomes by \$98 million USD to finish the year with \$310 million USD, 46.10% more than in 2003.

In the same manner, the surplus of this type of co-operative demonstrated an annual evolution of 40%, or \$1.8 million USD more than in 2003, reaching a total of \$6.4 million USD.

Transport co-operatives have close to 7,200 members and generate around 2,200 jobs.

The participation that these co-operatives enjoy within the national total is also of note, with assets of 5.19%, liabilities of 4.73%, patrimony of 5.86%, income of 5.56%, surplus of 4.82%, associates of 2.72% and employees of 12.46%.

3.9 Co-operatives sector's contribution to Formal Education programmes (Preschool to University)

According to Law 788 of 2002 (Tax Reform) for the exemption of co-operatives from property taxes, these had to invest 10% of their total surplus in formal education programmes during the 2004 period, drawn from their social and education funds. To further this goal, the Social Economy Superinten-

dence designed a statistical format for gathering this information.

For the 2004 period, based on the surplus reported in 2003, 1,148 co-opera-

tive entities invested a total of \$9.7 million USD from which 515,192 people benefited. According the analysed variables, the results of said investment were as follows:

EDUCATIONAL DESTINATION	NUMBER OF BENEFICIARIES	TOTAL RESOURCES	% BENEFICIARIES	% RESOURCES	AVERAGE BENEFIT
1.REGISTRATION FEES	140,790	5,847,239	27.33%	60.07%	41.53
2.PENSIONS	30,392	1,700,370	5.90%	17.47%	55.95
3.TEXTBOOKS	70,326	290,823	13.65%	2.99%	4.14
4.MATERIALS	258,334	1,304,313	50.14%	13.40%	5.05
5.UNIFORMS	6,268	33,305	1.22%	0.34%	5.31
6.TRANSPORTATION	2,256	32,299	0.44%	0.33%	14.32
7.ICETEX OR SEC EDUCATION FUND	6,826	524,966	1.32%	5.39%	76.91
General total	515,192	9,733,315	100.00%	100.00%	18.89

EDUCATIONAL LEVEL	NUMBER OF BENEFICIARIES	TOTAL RESOURCES	% BENEFICIARIES	% RESOURCES	AVERAGE BENEFIT
1.PRESCHOOL	9,271	329,305	1.80%	3.38%	35.52
2.MIDDLE SCHOOL	206,815	2,445,607	40.14%	25.13%	11.83
3.HIGH SCHOOL	209,763	3,066,988	40.72%	31.51%	14.62
4.TECHNICAL	9,268	287,799	1.80%	2.96%	31.05
5.TECHNOLOGICAL	4,049	1,014,568	0.79%	10.42%	250.57
6.UNIVERSITY	73,462	2,256,044	14.26%	23.18%	30.71
7.POST-GRADUATE	2,564	333,004	0.50%	3.42%	129.88
General total	515,192	9,733,315	100.00%	100.00%	18.89

STRATUM	NUMBER OF BENEFICIARIES	TOTAL RESOURCES	% BENEFICIARIES	% RESOURCES	AVERAGE BENEFIT
1	155,485	1,436,998	30.18%	14.76%	9.24
2	211,566	3,447,953	41.07%	35.42%	16.30
3	141,694	4,094,169	27.50%	42.06%	28.89
4	4,759	544,673	0.92%	5.60%	114.45
5	1,451	136,244	0.28%	1.40%	93.90
	237	73,277	0.05%	0.75%	309.19
General total	515,192	9,733,315	100.00%	100.00%	18.89

IV. Integration and political incidence

1. Political incidence in Colombia

The Colombian Co-operative Confederation – Confescoop – has been promoting for three years now a strategy aimed at consolidating the process of the sector's political incidence before the state's various instances of interlocution that have a direct or indirect tie with the sector.

To this effect, the channels of interaction with public entities have been fine-tuned, making the Confederation an active institutional voice of the national co-operative movement, a source of knowledge in topics of interest and a supporter in the promotion of public policies for which the co-operative model has been identified as an instrument that will facilitate their application.

Moreover, during these past years a group of Parliamentarians, twenty to be exact, has consolidated itself, from various parties and political formations, to take up the co-operative cause and to promote and consolidate it as an alternative for social development. This task of incidence has allowed the co-operative subject to receive special attention and interest within the Colombian Parliament's public agenda, thus making it easier to discuss the various legislative projects related to the sector and allowing a deeper knowledge of the doctrine, the corporate structure, the judicial framework and the organisational develop-

ments of these Colombian entities.

These incidence tasks, based on the formulation of documents for the scrutiny of Congressmen, judicial studies and an ample participation in co-operative forums, among others, have led to the promotion before ICA Americas of a project with similar characteristics for all the Parliamentarians of the region. Such a project has had interesting developments, as we shall soon discuss.

2. Working toward a parliamentary support network in Latin America

The Second Meeting of Latin American Parliamentarians interested in the promotion of the co-operative model took place in November of 2004 within the framework of the XIII Regional Conference of the International Co-operative Alliance – ICA – Americas in the city of Buenos Aires and boasted the attendance of 40 parliamentarians from Argentina, Bolivia, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay.

This point of encounter between the continental co-operative leaders and the region's parliamentarians signified an exceptional opportunity to reflect upon the nature, importance and impact of the co-operative model on a society like Latin America's, so in need of social inclusion, economic development, education and communal participation options to solve or mitigate the impact of the poverty that is generated from a lack of opportunities and which keeps close to 200 million people in precarious living conditions in this part of the world.

The Colombian Congress, through 11 of its members, made an active presence in this II Meeting, in which a strong leadership effort to concert the Parliament and the sector was shown and also represented the benefits of a politically serious, responsible and thematic incidence process for the defence of the general movement's interests.

Four themes focused the attention of the parliamentarians invited by ICA Americas, which were debated within an equal number of workshops. These were: The Co-operative movement and globalisation: the role of co-operatives within the framework of international business; Workers' co-operatives: an alternative for the social development of Latin America; Validity, progress and perspectives on the co-operative legislation in Latin America and the co-operative tax regime: A policy aimed towards the promotion of the American co-operative movement.

The conclusions of this meeting were picked up in a Declaration subscribed to by all those who assisted and which reiterated their will and political decision to promote, within their respective countries, the socio-commercial co-operative model, since they consider it "an instrument of equality, social wealth and employment and to stimulate its application to further social and economic development, based on the principles adopted and distributed by the International Co-operative Alliance."

In effect, they offered their parliamentary support to, among other actions,

influence the national, regional and local governments into incorporating the co-operative movement in public policies as an alternative model for socio-economic development; to recommend, through the International Co-operative Alliance, that the governments and national Parliaments of America have co-operatives as consultants in the design and execution of public policies and legal reforms and to utilise the inter-parliamentarian institutions already existent on a regional and sub-regional level to promote the co-operative model as a factor in social and economic development.

They also committed themselves to forwarding legislative reforms that would allow the establishment of an adequate legislative framework for the good and normal development of the co-operative movement in each of their countries, taking into account the ILO's Recommendation 193 from 2002, among others, about the promotion of co-operatives in the entire world and also to promote the establishment of a co-operative legislation framework for all the countries of Latin America. Likewise, they offered themselves as spokespeople to insist upon their respective governments that they teach co-operative values and principles, and their entrepreneurial practice, within the subjects taught to their youth.

The event made it clear that it was necessary to create a network of American Parliamentarians who agreed with the co-operative movement's philosophy, and through which could be generated

a permanent channel of communication about doctrinarian, legal, academic, congressional and governmental subjects of interest to the American co-operative movement, as well as a follow-up to any agreed upon actions and a channeling, through International Co-operative Alliance Americas, of the proposals that call for a consolidation of the American co-operative movement.

This effort by the Latin American co-operative movement to approximate their interests to those of national legislators is very important to mention because an extraordinary regional impact would result from the consolidation of a legislative current that identifies with the co-operative movement, their universally accepted values and principles, and this fact would without a doubt contribute towards the reinforcement of the co-operative movement in our continent.

This effort proves to be equally significant given that the III Meeting will be held in Mexico City on July 2005, precisely during the preparatory stages for the International Co-operative Alliance's Global Assembly – ICA which will be celebrated in Cartagena de Indias from September 17th 2005, and where we hope to have the opportunity to consolidate the Latin American co-operative leadership and to recognise the efforts that have been made in the name of this common cause during many years of dedication.

The generation of spaces of this nature geared towards the establishment of sectorial incidence channels consti-

tutes a hopeful starting point for the regional integration and institution strengthening processes, which will have to be translated into a strong movement with an ample base of followers and firmly rooted in local communities and with an impact in changing the living and development conditions of millions of Latin Americans.

V. Solidarity, mutual aid and integration: a framework of reference to confront economic globalisation with hope

1. The Colombian co-operative movement in the face of free trade

The process of economic globalisation is already a fact. The process of commercial opening had been deepening throughout the entire world during the last decade, with the modification of the international business scheme, the suppression of tariff and non-tariff barriers that facilitates the movement of goods, services and people, which, when added to the advancements in technology and information, make the development of international transactions more and more essential.

This panorama makes most urgent the taking on of a political, social and economic position by the global co-operative movement, and in particular, by the Colombian movement, that will allow it to face this economic reality with the sufficient participation capacity in the social and market niches in which it can meet, on the one hand,

with the parameters of competition and productivity through the creation of economies of scale and with the development of its function as a regulator of market failures, and on the other hand, to prepare to adopt the changes that are required by economic tendencies.

More than just as a punctual strategy, the Colombian co-operative movement must make a profound reflection upon its importance in both local and regional environments, in which this model constitutes itself as a defender of the interests of small producers and local consumers, without losing sight of a global vision of the market. Beginning from this reflection, we must take on the challenges that the scheme establishes, without abandoning the co-operative principles and values and insisting that globalisation be based on the premise that it not generate social and economic exclusion and that it take into account people's welfare, no matter their condition, and that they not be harmed by the effects of a global market.

The Colombian co-operative movement is party to the idea of an alternative, dynamic and planned negotiation of the free trade agreement that is currently being put forwarded by the Colombian government, along with its peers in Peru and Ecuador in view of the proposal from the United States and equally with all of the agreements that are being promoted with MERCOSUR, the CAN, the European Union and Canada.

2. The Colombian co-operative movement's position with respect to the free trade agreement with the United States

The Colombian co-operative sector, represented by the Co-operative Confederation of Colombia – Confecoop, considers that any free trade agreement negotiated by the government must be based on the precept of respect toward human beings. That must be its objective. Any negotiation that affects the rights and minimum guarantees of human beings is contrary to the sustained development of a society. This is what we manifested to the government in an analytical document on the process of negotiation of the free trade agreement.

We have insisted that the globalisation of markets and the aftereffects of a free trade agreement must seek the economic benefit of the people without generating social exclusion, poverty and economic marginality, tending more towards a negotiation that guarantees an open, equitable and sustainable economic system.

Furthermore, it seems fundamental that the negotiation take into account the evident asymmetries that exist between the Colombian and United States economies, so that corrective and levelling mechanisms and clauses may be established. Unequal economies cannot negotiate on equal terms. The negotiation that favours both parties imposes a base of economic equality.

We pointed out to the government with equal emphasis the need to work on the definition of local policies (internal agenda) that allows for the correction, for example, of currently unworkable patterns of consumption, asymmetries in the regional development of the country, weakness of physical infrastructure (highways, ports and communications) and limited access to education, science, culture, investigation and the transfer of technology, among others.

3. Strengths and weaknesses of the Colombian co-operative movement in the face of the free trade process

Having analysed the fundamental aspects that characterise the environment of the free trade agreement and the guidelines that the national government has given to the various sectors of the national economy to orient themselves and determine the effects of said agreement on their sectors and activities, and having illustrated the general situation and specific economic activities of co-operatives, it is important to take a critical view of the movement's inside in order to review its strengths and weaknesses, as well as the opportunities and threats that could be derived from the signing of this agreement.

3.1 Strengths

- It is clear that the co-operative movement has been showing positive signs of evolution, some of which are above those found in the general economy, indicating that there is a clear tendency towards the consolidation of economic activity in the sector.

Given the current conditions of the national economy, showing this tendency signifies a special fortitude since it has been said in economic analyst circles that one of the concerns relating to the free trade agreement with the United States is its very timing, precisely given that there are no generalised indicators of economic recovery, except in very narrow and specific economic activities, which may hinder the adaptation required once the agreement is signed and implemented.

Being in conditions of growth can represent a relative advantage, if and when it is understood where these levels of growth are being produced and a strategy to sustain and deepen them is developed.

- The sector has a well-defined niche of economic activity, which has been one of the factors that have acted favourably to accentuate its growth and development. Despite its relatively recent "crisis", the tendencies already analysed demonstrate the rising confidence that members have in these institutions and that has maintained and increased their activity.

This condition is a capital that must be defended without compromise because it is a factor that will determine the permanence of many co-operatives in the national economy during the adjustment process to the parameters defined under the protection of the free trade agreement. This is a competitive strategy that must be developed in any commercial process and if the sector already acknowledges

it, it must now worry itself over developing this advantage.

- In these past years the capacity that has been developed to improve the degree of membership to co-operatives is evident, a circumstance that generates financial and economic support, peerless in the traditional economic sector, and with the social connotations that this represents.

It is necessary to accentuate this tendency in order to strengthen the membership base and thus achieve important levels of patrimony capitalisation, with the later goal of creating financially solid entities that will serve as a support in the design of an investment strategy oriented towards the participation in those commercial schemes that have been defined as strategic by the national government and which will be the ones that receive the most concrete benefits when the free trade agreement is signed.

3.2 Weaknesses

- The composition of the exportable supply generated by the co-operative movement demonstrates that it is substantially reduced and that it also presents a high degree of concentration, first of all in activities of an agricultural nature, and secondly, within this sector almost exclusively in coffee and milk activities.

This is a serious inconvenience given that general expectations and the experiences of countries like Chile and

Mexico predict that the first benefits of the signing of a free trade agreement fall immediately upon those companies and sectors which are tied to the export of goods and services. In our case, since no export culture has been developed throughout the years in the productive activities of the sector, the short term benefits of the internationalisation of the economy will be few and pose a serious challenge to develop strategies aimed at shortening the path that many businessmen have already traveled from the very beginnings of the process of economic aperture, which started more than a decade ago.

- The sector's structure demonstrates that economic activity can be found developed by an important lot of companies, but it is also clear that many entities do not concentrate important levels of assets, or what's worse, this sector's assets are dispersed among an elevated number of entities, a fact which lessens the competitive capacity in terms of the size of the commercial operations that can be developed.

Faced with a free trade agreement, which facilitates the entry of large companies with important capital and aggressive investments, having a disarticulated and dispersed sector with few alliances and commercial groupings can represent one of the greatest risks and threats from the free trade agreement to the Colombian co-operative movement.

VI. A prospective look towards consolidating our sector

1. Co-operatives with an entrepreneurial vision

Co-operatives gather all of the virtues that as a company Colombia and Latina America clamor for: a philosophy of pure humanism, principles that create and re-create equality and democracy with a capacity to convert small efforts into gigantic commercial expressions of social responsibility.

The principles and values of the co-operative movement were formulated more than 160 years ago by the precursors, and are periodically revised and updated by the International Co-operative Alliance – ICA – as the maximum instance of integration to adapt them to the unique conditions of contemporary society. Today, one out of every five of the world's inhabitants is linked to the co-operative socio-management model.

The presence and incidence of Colombian co-operatives reflects not only their accomplishments throughout their history, but the potential of a sector that aspires to be considered as an efficient instrument of national development.

The co-operative sector has an enormous social, economic and institutional potential. More than three million Colombians are directly linked to co-operatives and close to twice that number receive some benefit from them, be it directly or indirectly. Likewise, one can observe the diversity of

organisations, the ample geographic and sectorial coverage and their management capacity.

The co-operative sector, conscious of the difficult social and economic situation that the country is going through, is counting on its capacity for action to further the processes of management promotion, formation and organisation, already demonstrated during seven decades of crystallising its co-operative doctrine and philosophy through concrete experiences on several fronts of activity, be it in the production and commercialisation of goods or in the rendering of multiple services in benefit of its members, their families and the community in general.

Our formation in an environment of principles and values makes us actively and decidedly accompany the state in the formulation and execution of policies, plans and programmes with adequate solutions for marginalised social sectors, vulnerable communities or economic sectors that utilise management schemes based on solidary associative models, with an eye towards generating opportunities for an important sector of the population that lacks dignified employment, health, education and housing, aspirations that correspond to every human being within a society that must guarantee equality, justice and equity to all of its members.

2. Common objectives for the future

In keeping with some of the policies adopted by the state, the co-operative sector aspires towards working on

some of the subjects that strategically assure the full implementation of co-operative principles and values, in the context of a global and infinitely intercommunicated world, and to avoid letting its institutions fall into practices that would discredit its image and affect the confidence and credibility received from its members and the general public opinion, without which it would be difficult to successfully function as an instrument of development.

The normative reforms that allow the movement to adapt to the economic changes of the contemporary world, the assimilation of technology and information, the mechanism of sectorial self-regulation and self-control, the full exercise of good co-operative government concepts, economic integration and the promotion of productive

co-operativism are aspects of principal importance that the Colombian co-operative movement wants to address within a prospective exercise initiated this year.

Said exercise will allow us to establish the sector's distinctive abilities, and from there, formulate the strategies that will have to be observed in the future so that the co-operative movement achieves a greater socio-economic position within the country, multiplying its coverage, all of this aimed at reducing the poverty and social exclusion indicators that the country presents today and at achieving a greater degree of access to property and opportunities that will translate itself into sustainable growth for our society. We hope to achieve the best results in this endeavour.

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