

Handbook on Cooperatives for use by Workers' Organizations

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Foreword

At the dawn of the 21st century, cooperatives are arousing renewed interest within the international community. Just as in the 19th century, the world is undergoing economic changes which all too often cause negative social consequences such as an increase in poverty, social exclusion, exploitation of women and children, etc., affecting a large section of humanity. The cooperative system, which has proved its ability to deal with such situations thanks to the pooling of resources of the people involved to create businesses based on economic, ethical and moral principles, is once more becoming incontrovertible.

This handbook lists the essential things to know about cooperatives for all those who are interested as members, future members, politicians or staff of national or international institutions in charge of the promotion and development of cooperatives. In simple, understandable language, the handbook deals in turn with the characteristic features of cooperatives, cooperative enterprise as a whole, the promotion of cooperatives and the close ties that exist between the ILO and cooperatives.

After the definition of what is a cooperative in the first chapter, the next four chapters lead the reader on to discover the distinctive features that distinguish it from other classic public or private enterprises. Chapter six, seven and eight, which deal respectively with cooperative entrepreneurship, the procedure for creating a cooperative business and education, training and cooperative information, show that a cooperative is nevertheless a business which does not escape entrepreneurial rigour. Setting one up demands a feasibility study leading to a business plan, a requirement which is becoming unavoidable for any business existing in a competitive world. But, to show the special way it serves its members who are at the same time co-owners and users (customers, suppliers or employees), chapter eight develops the importance of education, training and cooperative information for the benefit of its members, its staff and the general public.

Chapters nine, ten and eleven cover respectively the role of workers' organizations in cooperative promotion, the role of the State and cooperative promotion, regional control, and are devoted to the efforts made at different levels to promote cooperatives. Workers' organizations are insofar in pole position as they are the first to be concerned with unemployment affecting their members. The State, with its responsibility for maintenance of peace and security for the nation, finds in the cooperative a way of seeking solutions to the job and income creation problems that are so necessary for social justice.

Chapters twelve and thirteen emphasise the prime position the ILO has occupied in cooperative promotion since 1920, just one year after its establishment in 1919.

We here welcome the efforts of Mr Guy Tchami who has undertaken this difficult task of distilling in a hundred or so pages the essence of cooperatives at the start of a century full of challenges facing humanity and cooperatives as a specific business type.

We are grateful to Mr Emmanuel Kamdem from the Cooperative Programme who supervised this publication, to Mrs Faith O'Neill and Mr François Murangira from the Bureau for Workers' Activities who revised the text, and to Miss Piper for the formatting work and cover design.

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Initials and Abbreviations

| | |
|---------------|---|
| ACOODER | Association Coopérative pour le Développement Rural (Cooperative Association for Rural Development) |
| ACOPAM | Appui Coopératif aux activités de développement assistées par le PAM (Cooperative Support to WFP-assisted Development Activities) |
| CEMAC | Communauté Economique et Monétaire de l’Afrique Centrale (Economic and Monetary Community of Central Africa) |
| CIC..... | Community Interest Companies |
| FCCT | Fédération Canadienne des Coopératives de Travailleurs (Canadian Worker Cooperative Federation) |
| HIV | Human Immunodeficiency Virus |
| ICA | International Co-operative Alliance |
| ILC | International Labour Conference |
| ILO..... | International Labour Office/Organization |
| ITP | Indigenous and Tribal Populations |
| MATCOM | Material and Techniques for Cooperative Management Training |
| NACHU | National Cooperative Housing Union |
| NTUC..... | National Trade Union Congress |
| OHADA | Organisation pour l’Harmonisation en Afrique du Droit des Affaires (Organization for the Harmonization of Business Law in Africa) |
| PARMEC | Programme d’Appui à la Réglementation des Mutuelles d’Epargne et de Crédit (Support Project for Regulations on Savings and Credit Mutuals) |
| SC | Seikatsu Club Consumers’ Cooperative |
| SCIC | Société Coopérative d’Intérêt Collectif (Community Interest Cooperative Society) |
| SCOP | Société Coopérative Ouvrière de Production (Worker–Owned Cooperative) |
| SEWA | Self Employment Women’s Association |
| TUCP | Trade Union Congress of the Philippines |
| UEMOA..... | Union Economique et Monétaire de l’Afrique de l’Ouest (West African Economic and Monetary Union) |
| WOCCU..... | World Council of Credit Unions |

Part I

Cooperative Special features

Definition of a cooperative and aims of the handbook 1

The International Co-operative Alliance, a non-governmental organization which is the umbrella organization for cooperatives worldwide, defines cooperatives as an “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”¹. The purpose of a cooperative is to allow individuals to come together and pool their resources in order to reach a common goal which would be difficult for them to achieve as individuals. In other words, the purpose of a cooperative is, for example, to allow someone with only five kilos of a given product to sell, transport or transform them at the lowest cost possible and under the best of conditions. Such an option allows, simply by joining with others to form a business, to benefit from economies of scale, and so reducing costs.

A cooperative is the specific application of a very old idea: cooperation. Cooperation can be defined as a social process by which individuals work together to realise a common objective or goal². Cooperation is present in every age of humanity, including the oldest. In most cases, cooperation occurs when an external factor threatens a certain number of individuals. So it has been with cooperatives. They were the consequence of several ills affecting workers at a time where working conditions were difficult. Cooperation among the workers seemed like the only possible means of defence against the worsening social and economic conditions of the period affecting a section of the population. Even today, some people, to say the least, carry out their jobs in difficult conditions or are not even in employment. Cooperatives are enterprises which help their members cooperate together to solve problems they share. The members of cooperatives can be natural persons or corporate bodies. Cooperatives of corporate bodies can represent an effective form of commercial cooperation in the same way as, for example, networking, strategic partnerships and franchising³. They are an alternative to the capitalist approach of most businesses: a type of economic-social cooperation. As a result, the cooperative, which aims to apply the social well-being of the work world to a business level, is a non-profit-making service enterprise whose objective is to

1 Statement on the Co-operative Identity by the International Co-operative Alliance (1995).

2 John G. Craig: The Nature of Co-operation.

3 Franchising is a contract whereby one enterprise authorizes another to use its name and trademark to market products or services.

free its members from any exploitation they are suffering by strengthening them in their economic role as purchasers, workers, produce sellers, borrowers, housing applicants, tenants, etc⁴. The following examples are concrete illustrations of the potential of cooperatives in terms of employment and service provision in developing as much as in industrialized countries.

“Spring Master” was known in Zimbabwe as the biggest furniture manufacturer, but at the country's independence the European property owners left and in 1984 the company was dissolved. A group of former employees then decided to create the “Spring Cabinet Cooperative” to safeguard their jobs. After a difficult start, the cooperative managed to extend its production and to take on more workers than before, including university graduates in management positions. By 1995, the cooperative had created 206 full-time jobs (against 7 ten years earlier), had a capital of Z\$7 million (against Z\$130) and reached a turnover of Z\$16.3 million. It now plans to export its products to neighbouring countries.⁵

The Laterrière Cooperative was founded in Canada forty years ago by a small group of forestry workers who were looking to run their own business. In the beginning, the cooperative only carried out activities to do with planning and collecting raw material. In 1982 it entered fully into the manufacturing sector by taking over the Laterrière Sawmill. Over the years, the cooperative has experienced sustainable growth, by buying factories, modernizing existing ones or building new ones from scratch. Today, at the start of its fortieth year in existence, the Laterrière Cooperative has become the leading cooperative of its type in the country. It employs 750 workers, of which two thirds are cooperative members, and has a turnover of 100 million Canadian dollars.

In addition, the cooperative recently acquired a factory and a 50% stake in the assets of another sawmill in the north of the country. The cooperative owes its success to its directors and managers foresight and to the commitment of its members. The success of the cooperative can also be explained by its respect for the different local communities in which it has been based through the years. This respect enabled it to find invaluable support for the aims of its mission: to obtain work for its members while guaranteeing the future of the Quebec forests. This proves that the cooperative formula can lead to success when it is inspired by great modern management trends⁶.

4 George Lasserre: La Nature et l'esprit du mouvement coopérative.

5 Source: National Federation of Zimbabwean Cooperatives.

6 Canadian Worker Cooperative Federation: Worker Cooperative Success Stories.

A cooperative can be active in almost any field where there is a group with fairly homogeneous and common needs. Thus:

- Where the members are **farmers**, the benefits will include quality inputs at fair (equitable) prices and economies of scale in adding value to, marketing and distributing produce;
- Where the members are **consumers**, the benefits will include the availability of goods at fair (equitable) prices;
- Where the members are independent **retailers**, the benefits will include economies in marketing and distribution, and greater common buying power;
- Where the members are **workers**, the benefits will include participation in the management of their enterprise and a fair (equitable) reward for their labour;
- Where the members are **primary producers**, the benefits will include access for their produce and more control over the added value;
- Where the members are **savers or borrowers**, the benefits will include a fair return on their savings and access to credit at a fair (equitable) interest rate.

Source: European Commission, Cooperatives in Enterprise Europe (Brussels, 2001)

The present climate legitimates the growing and sometimes fundamental role of cooperatives. Indeed, the continuous growth of poverty in developing countries and the shortage of social protection to do with an ageing population in industrialized countries only leads to an increased need for cooperation and thus a growing role and place for cooperatives in society.

This handbook is intended for the members of workers' organizations. It attempts to make up for the lack of understanding of this form of enterprise, particularly in its special features. It also illustrates the cooperative response to the concerns of workers and the important role the ILO plays in the promotion of cooperative.

The birth of the cooperative movement

2

If it is difficult, even impossible, to pinpoint the exact origin of the first cooperatives⁷. It is nevertheless possible to state that the cooperative movement as such appeared in Europe in the XIXth century, following the economic, social and demographic changes caused by the Industrial Revolution. Subsequently, colonialism offered colonizing countries the opportunity to promote the cooperative form of organization as a way of grouping people for a better control over the colonized population.

The origins of the cooperative movement in industrialized countries

It is useful to recall that the term “Industrial Revolution” is a collective name for the events which, from the XVIIIth century onwards, accompanied the transformation of the world thanks to the development of capitalism, of production techniques and means of communication. The effects of this revolution were certainly industrial and commercial dynamism, but it equally featured a rise in urban populations, a reduction in wages and exploitation of workers, particularly women and children. In addition, an increase in the cost of living, adulteration of foodstuffs⁸ and a rise in unemployment are other characteristics of this period.

This situation led certain thinkers and philanthropists to seek a solution to the growing misery of the poor, to dream up a new system or even a new form of social organization. This way of thinking had a considerable impact in Great Britain and France but also in Germany.

In Great Britain one of the main thinkers was without any doubt the philanthropist Robert Owen (1771-1858), known by some as the father of cooperation in Great Britain. His view was simple. He thought it would be more economical to deal with the poor in groups rather than individually; hence his proposal for what he himself called villages of cooperation. He first of all conceived these villages as a solution to the problem of unemployment and misery. He wanted to help the poorest villagers to acquire communal property and to take up work - especially farm work - which would save

⁷ The development of collective tenant farming in Babylonia, the brotherhoods of assistance and burial of ancient Rome would have had, in some respects, a few links with cooperative institutions.

⁸ In fact colouring, flavouring and even dangerous chemicals were used to give the illusion of freshness or good quality to meat that had gone bad. Adding water to milk is another example with unfortunate consequences both in terms of loss of the nutritional value of the product and risk of contamination by the added water.

them from despair. But gradually his concept grew, these villages of cooperation became, in his view, the ideal type of society towards which he wanted to push humankind⁹. The basis for Owen's doctrine was the suppression of commercial and industrial gain in favour of a "fair price" by cutting out the middlemen between production and consumption. The source of finance for these villages of cooperation was imagined to be rich philanthropists such as himself who would make their business' available to the villages of cooperation.

Dr William King (1786-1865) gave a more practical direction to the somewhat utopian ideas of Owen. Like Owen, he had in mind a self-sufficient community in which the workers would produce according to their needs. But, contrary to Owen, he favoured the involvement of the members with the outside world, in keeping with the earlier philanthropic funding concept¹⁰.

His idea was to encourage the establishment of shops by and for the working classes. Collecting regular payments from the workers would guarantee the funding of these shops. Rather than getting their supplies from shops unknown to them, the workers would buy them in their own shop. Therefore, they would buy goods at the wholesale price to then sell on more cheaply than the going rate. England is the cradle of consumer coops.

Owen and King defined the rules and principles of consumer cooperatives¹¹. This type of cooperative supplies goods (food, educational supplies etc.) to its members at a lower cost than if they had tried to get them individually and not collectively.

In France, Charles Fourier (1772-1837) was one of the first to propose an alternative form of cooperation, i.e. a community organization he calls "phalanstery". The idea was to fight poverty with growth of production; for example by bringing together the different members of a canton so that they could pool their resources, especially their land, and live together in the phalanstery. Charles Fourier is referring here to producer cooperatives which market directly or adapt and market the products or services of their members.

Philippe Bucher (1796-1865) himself defined the fundamental principles of producer cooperatives: i) Principle of the democratic right to vote for the representatives of the cooperative; ii) Principle of equal pay for equal work;

⁹ Paul Lambert: La doctrine coopérative (1964).

¹⁰ On this subject, Dr King's concept can be summed up in one of his sentences: "Cooperation is a voluntary act, and all the power in the world cannot make it compulsory; nor is it desirable that it should depend on any power but its own" (1829).

¹¹ Certain authors sometimes talk about "Consuming cooperatives". However, it is very obvious that a cooperative does not consume as such.

iii) Principle of charitable reallocation of net assets, in other words in the event of dissolution the reserve funds will be distributed either to another cooperative or to a charitable cause or to the State; iv) Principle of the inevitable blurring of the distinction between the status of the member and that of the user: all the workers in the cooperative must become members of it. France is the cradle of worker cooperatives.

In Germany, Hermann Schulze- Delitzsch (1808-1883) is considered to be the pioneer of municipal cooperatives. He made himself the apostle of municipal credit cooperatives after working out that lack of capital was a major problem for people living in towns. His cooperatives were based on self-help in its purest form; that means no outside intervention at all, not even from the State. For Schulze-Delitzsch, the cooperative had a purely economic role to play in raising revenue. His other principles were self-responsibility, equal rights for each individual within the cooperative group, joint responsibility for debts by the group and finally democratic self-control.

Friedrich Wilhelm Raiffeisen (1818-1888) for his part is regarded in Germany as the pioneer of rural cooperatives. His model for credit cooperatives differs from that of Schulze-Delitzsch in the sense that the principle of self-help was not applied in absolute terms¹², the building up of a capital base was in no way deemed necessary¹³ and that the reserves were distributed to another association in the event of dissolution. Raiffeisen's principles are, among others: the advancement of the members, as much religious and moral as material, a limit on the number of group members based on the size of a village and the unlimited mutual responsibility of the members.

The experiments of Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen in the cooperative field have contributed greatly to the fact that Germany is thought of as the cradle of credit unions. The existence to this day of cooperatives based on their principles is proof of the success of their work.

Of course several other authors were involved in forming cooperative doctrine: Charles Gide, Victor-Aimé Hubert, Proudhon, Alphonse Desjardins, etc. It is very difficult to trace the whole history of the cooperative movement in this handbook. We can at best trace the great lines which have helped it become what it is today, that is to say a worldwide movement.

¹² In fact, Raiffeisen considered outside help to be essential and government help crucial.

¹³ A characteristic linked to the previous one. The latter allowed rich philanthropists to become members, jointly and with no limit on their entire fortune, which created a cast-iron guarantee and attracted investment.

Nevertheless, we must mention the importance of the work of the twenty-eight Rochdale workers in the formation and observation of the cooperative principles.

In contrast to the other principles or expressions of principles which were the work of individuals, the Rochdale Pioneers, composed of twenty-eight workers, were the authors of the first group approach cooperative principles history. That is why they are regarded as the pioneers of cooperative principles, or even of the cooperative movement itself¹⁴.

It all began in 1843 after fruitless pay talks. When they did not get the rise they had hoped for, the Rochdale Pioneers without knowing exactly what they were going to do, decided to set up a fighting fund to raise start-up capital for an as yet undetermined plan. After mature reflection and influenced by Owen, they opted for the cooperative solution. On October 24th 1844, they registered the Rochdale Equitable Pioneers Society, a cooperative retail society. This meant that its members could get supplies of food and other goods at the lowest cost. The Rochdale cooperative thus became a model not only for all consumer cooperatives but also for all cooperatives around the world.

To this day, the Rochdale principles dominate the world cooperative movement. These principles are the following:

- Open and voluntary membership;
- Democratic control;
- Interest on share capital limited to 6%;
- Distribution of surplus to members in proportion to their transactions;
- Cash trading;
- Education and training for members;
- Political and religious neutrality;
- Charitable distribution of assets in the event of dissolution.

¹⁴ Emmanuel Kamdem: La coopérative, une analyse historique et spatiale (to be published).

This brief historical reminder shows that in most industrialized countries, the cooperative institution appeared spontaneously in response to problems of the day. However, it must be stressed that in most of these countries, the cooperative institution only found its definitive formula when the “working class” adopted this new form of organization.

The introduction of cooperatives in developing countries

The Industrial Revolution very soon forced industrialized countries to seek out raw materials and new outlets for their products. It therefore played a not inconsiderable role in the colonization of the developing countries, the objective for the colonizing countries being to increase the area of their national territory by appropriating foreign lands. Countries thus lost their sovereignty and did so, on their own territory, in favour of the home country¹⁵. Africa, Asia, and Latin America then found themselves dominated by western countries including Great Britain, Portugal, France and Belgium.

Once the country was conquered, the settlers ensured the promotion and development of the cooperative form of organization. The objective was never altruistic. Cooperatives were in fact used as a strategic tool to allow people to be grouped together and goods, essential for the economy of the home country (coffee, cocoa etc.), to be collected for export.

The Rochdale Pioneers

The cooperative movement finds its roots in Rochdale, a Lancashire textile town in England, where, in 1884, the difficult living conditions, inadequate consumer protection and the regular adulteration of foodstuffs by certain traders lead 28 artisans to create a retail cooperative society, the Rochdale Equitable Pioneers Society, in order to supply the workers with food and other goods, as well as with educational and social facilities.

The 28 men raised a small amount of capital and opened a shop in Toad Lane with the aim to sell healthy food at reasonable prices. Part of the profits or “surplus”, which is the term they preferred to use, was paid back to the members in proportion to their transactions; this is the famous cooperative dividend or “divi”. The pioneers and other early cooperators were very much inspired by the physician and philanthropist Dr William King’s writings on cooperatives and by Robert Owen, a manufacturer and Welsh social reformer. The Rochdale cooperative principles were based on the pioneers decisions and practices which were reached as a result to Owen’s theories on cooperation. These principles are: open and voluntary membership; democratic control; interest on share capital limited to 6%; distribution of surplus to members in proportion to their transactions; cash trading; education and training for members; religious and political neutrality; charitable distribution of assets in the event of dissolution.

15 Caroline Thérault: Le colonialisme est-il responsable de la richesse de l’Occident et des retards de développement du Tiers Monde? (2004).

It has not been established whether the Rochdale Pioneers Society is the very first cooperative nor if its shop constitutes the very first coop store. Older companies which survived also adopted Rochdale's model of cooperation as an example of cooperative management. Rochdale very quickly became a model for all similar cooperative companies wanting to set up in the United Kingdom and worldwide.

Rochdale's concept of cooperation has spread throughout the world. Today there are more than 700 million cooperators in more than 100 different countries.

Source: European Community of Consumer Cooperatives

The development of cooperatives within the colonies has followed different forms depending on the colonizing country's origin.

In Latin America, the promotion of cooperatives is carried out according to the ideas of European promoters, notably the Frenchman Gide and the German Raiffeisen, Schulze-Delitzsch and Haas. On the other hand, in the Asian countries of the British Empire, the English ideas form the basis of cooperative development.

As for the African continent, cooperative development is less homogeneous and varies according to whether you are in English, French, Belgian or Portuguese colonies. In the English-speaking countries of Africa, the development of cooperatives is inspired by the model applied by the British colonial administration in Asia, i.e. making cooperatives temporarily official in order to privatize them afterwards.

The Belgian colonies applied a model close to the British one, in contrast to the French colonies which applied a model characterized by centralization and domination of the cooperatives by public authorities. As for the Portuguese colonies, they did not benefit from cooperative policy, Portugal at the time having no cooperative policy. As a consequence in Portuguese-speaking Africa cooperatives were initiated by the private sector.

After independence in the colonized countries, the governments of the newly independent States accorded an essential role to cooperatives especially in the development of rural areas. Nevertheless, in most of these countries, cooperatives remained a State-owned tool with which to control the masses.

In the former French-speaking colonies, development was the same as before the colonial period. The structures set up by the colonial administration were abolished and replaced with government institutions, the objective being to improve agricultural production and product quality. Unfortunately, the cooperative development lauded by the government did not meet the farmers expectations. There followed a decline in membership and a bad reputation for cooperatives. The term "cooperative" was even banned in some places and replaced by "village association" or "village groups" or again "mutual".

In English-speaking Africa, the post-independence period saw the cooperative sector grow considerably. Good results were achieved in farm production for export. But failings were experienced mainly in the area of staff qualifications and inadequacy of infrastructure.

It would hereby be tempting to state that cooperatives have evolved successfully in industrialized countries and failed in developing countries. But things are more complex than they seem. Indeed even though it is true that cooperative enterprise has known a fair number of successes in the northern countries, it hasn't as such failed in the southern countries. It is important to bear in mind that, in the context of the period, the creation of cooperatives was encouraged in a bid to control the people conquered during colonization and in no way to promote the interests of their members. Bearing in mind that objective, they therefore didn't really fail. However, it is true that the way the governments of newly independent countries used them is regrettable as it perpetuates this misuse of cooperatives with the risk of sometimes tarnishing the way local populations see cooperatives for ever.

Having presented the cooperative movement, as a global entity in a summary form, and having studied its evolution, we shall now carry out a detailed analysis of the cooperative itself to find out what special features makes it stand out from other forms of companies.

**Key points from the chapter
“The birth of the cooperative movement”**

- A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.
- Though they may date back to ancient times, cooperatives developed as a movement from the XVIIIth century on, in response to the damaging effects of the Industrial Revolution.
- Realising the misfortunes caused by the Industrial Revolution (decrease in wages, increase in poverty), R. Owen and Dr W. King were the first leaders to think of a new form of social organization based on the idea of cooperation among individuals wishing to solve their problems together. Afterwards other thinkers followed, taking up their ideas and developing them, people such as: C. Fournier, P. Bucher, Schulze-Delitzsch, F.W.Raiffeisen,etc.
- The Rochdale Equitable Pioneers Society represents the first known experiment successfully carried out in the cooperative field. For many, this history marks the starting point of the cooperative movement but must be seen as one model of cooperative development. It shows how difficult living conditions and inadequate consumer protection drove 28 artisans to form in 1884 a cooperative retail society, the Rochdale Equitable Pioneers Society. The aim was to supply the workers with food and other goods such as educational and social facilities. The society was guided by principles which, to this day, are the basic principles of cooperatives.

These principles are the following:

- Open and voluntary membership;
 - Democratic control;
 - Interest on share capital limited to 6%;
 - Distribution of surplus to members in proportion to their transactions;
 - Cash trading;
 - Education and training for members;
 - Political and religious neutrality;
 - Charitable distribution of assets in the event of dissolution.
- Colonialism was the key turning point in the development of cooperatives in developing countries.
 - In the colonies cooperatives were in fact used as a strategic tool to allow people to be grouped together and for exportable goods, essential for the economy of the home country (coffee, cocoa etc.), to be collected.

Key features of a cooperative enterprise

3

In contrast to other types of company¹⁶, the main purpose of a cooperative is the advancement of its members and not the pursuit of economic gain. Therefore, when you consider what makes it different, it is quite natural that it should have its own unique characteristics.

But before we make any comparison, we must come back to the different forms of enterprise that exist so that we can then address such aspects of cooperative enterprise as its values and principles.

The cooperative and other forms of business

There are generally considered to be two types of company depending on the the owner's legal status:

- The public company, over which the authorities can directly or indirectly exert a controlling influence by reason of ownership, financial involvement or the rules governing it¹⁷. Their aim is to produce goods or services in the public interest or to deal with law and order;
- The private capitalist company, whose goal is to maximize the profits of its owners by maximizing the market value of the business. In other words, to maximize the profits without necessarily having any restraints linked to job creation or respect for the environment, etc.

As mentioned in the first chapter, the cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Bearing in mind this definition of a cooperative, it is difficult to classify a cooperative as one or other of the two types of enterprise mentioned above. On the other hand, there is no doubt at all that a cooperative is a private, non-profit-making enterprise.

Moreover, one of the main features of a cooperative is that it is one of the few forms of enterprise, if not the only one, where the members are both the

¹⁶ Remember that a company is defined as an autonomous economic unit organized to use various means of production with a view to producing goods and services for sale.

¹⁷ European Commission: Directive 80/723 of 25 June 1980 on the transparency of financial relations between Member States and public undertakings.

recipients of the benefits of the collective business and also the owners. This statement has at least two major economic and political consequences.

From an economical point of view, it implies that the members have to use the products and services of the cooperative business which depend on the nature of the cooperative.

From a political point of view, the members' double role gives them the incentive to take part in the management of the cooperative: to nominate the management committee, to vote for the directors, to attend general and other meetings, etc.¹⁸

Main differences between cooperatives and capitalist companies that favour the interests of investors

- Cooperatives are forms of organization presenting features that distinguish them from other types of companies;
- Decision making is based on the principle of "one member, one vote";
- Distribution of the surplus is normally in proportion to the use each member makes of the services of the cooperative;
- The nominal value of shares does not reflect the value of accrued assets;
- The member is both owner and user (customer, supplier or employee) of the cooperative;
- The share capital is variable;
- In the event of dissolution, the principle of non-distribution (or limited distribution) of reserves applies.

Furthermore, the cooperative form of organization is somewhat ambivalent. It is equally an association and a business. A cooperative is an association in the sense that it is a group of people who acknowledge on the one hand the similarity of some of their needs (other than those linked to the desire to make their money work for them) and on the other hand the possibility that they could better fulfil them by ways of collective enterprise rather than individually, hereby referring to its "social side". But a cooperative is also a mutual business whose particular aim responds exactly to the needs to be fulfilled¹⁹.

As a business, despite its "social" objective, it has certain economic objectives in common with all types of business' to fulfil, i.e. the objective of financial solvency in particular.

¹⁸ David Griffiths: Why do co-operatives fail as co-operatives.

¹⁹ G. Fauquet: Le secteur cooperatif (1942).

Cooperative values and principles

The life and work of a cooperative business are governed by a certain number of values. These values are self-help, self-responsibility, democracy, equality, equity, solidarity and the ethical values of honesty, openness, social responsibility and caring for others.

The cooperative principles are guidelines by which cooperatives can put their values into practice. The Rochdale Pioneers are responsible for most of these principles. In the beginning there were eight principles. After their revision and adoption in 1995, the International Co-operative Alliance kept seven, considered to be the most essential²⁰:

1st Principle: Voluntary and open membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Cooperatives can only be viable if they are supported by their members and if they manage to attract new members. Every disappointed member dissatisfied with the services supplied by the cooperative or no longer needing the services of the cooperative must have the right to leave the cooperative. Otherwise such members could prejudice the future success of the cooperative²¹. In other respects, this principle of free entry and exit does not mean that an unrestricted number of members can belong to any cooperative. In fact certain cooperatives can accept only a pre-determined number of members, depending on their capacity, notably worker cooperatives. The underlying idea is that cooperatives are enterprises open to any individual, whatever his or her sex, social background, religion, etc.

2nd Principle: Democratic member control

Cooperatives are democratic organisations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights by virtue of the “one member, one vote” rule; cooperatives at other levels are also organized in a democratic manner.

²⁰ International Co-operative Alliance: Statement on the Co-operative Identity (1995).

²¹ Hans-H. Münkner and Rolf Trodin: Organised Self-help to solve Housing Problems (Marburg, 1999).

In a business belonging to a group of individuals, it is generally impossible for all the members to manage the business jointly, especially if there is a high number of members. It is necessary to elect or appoint individuals and authorize them to serve the business as directors or managers. They will then act on behalf of the members and will represent the organization in its dealings with other bodies.

There is no question at all of a loss of control by the members with regard to their business. They still have considerable power:

- To elect and dismiss their directors;
- To set and change the general aims of the cooperative;
- To monitor the performance of their agents (directors/managers) elected and appointed by them to act on their behalf.

All members of a cooperative have equal rights, whatever their spending power and financial holding in the cooperative business. The right of members to make decisions and monitor their directors is usually exercised in voting that takes place at the general meeting. The “one member, one vote” rule applies whatever the level of the cooperative. There are generally three levels. Primary (first-level) cooperative enterprises are cooperatives whose members are natural persons only. The second-level cooperative enterprises have a membership of both natural persons and primary cooperatives. Finally, third-level cooperatives are those having as members at least one secondary cooperative. In some countries there are more than three levels. For example, it can happen that in some countries a given locality has its own cooperative federation, which is then represented at regional level by a confederation. As a result, at national level, a national council or a national league of cooperatives will be where the country's confederation(s) will be represented.

3rd Principle: Member economic participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; rewarding members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Cooperatives are enterprises run by their user-owners who constitute the dominant power of the cooperative.

Within a cooperative, the cooperation of the members takes precedence over their contribution to capital. The role of capital is only to serve the interests of the members and to allow them to fund the activities of the cooperative. It is thus stripped of all powers:

- voting rights in fact follow the rule of “one member, one vote”;
- the distribution of surpluses as a reward for members’ contribution to capital is expressly restricted.

Again, as we have already said, profit in the form of a surfeit of products over charges is called “surplus”. It is either reinvested in the cooperative, or kept in reserve accounts, or else distributed to the members in proportion to their transactions with the cooperative. This procedure, called dividend, allows members to share out among themselves any possible surplus. One crucial point to be remembered here is that the main aim of a cooperative is to respond to its members’ needs and not to make maximum profit, unlike capitalist enterprises. There is nothing wrong at all with having no surplus; on the contrary, the absence of a surplus can be a sign that the members have enjoyed the services of the cooperative at the lowest possible cost.

4th Principle: Autonomy and independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

For decades in certain parts of the world, notably in transitional and developing countries, cooperatives have featured in development plans and political programmes as a development tool by the authorities, projects and development agencies.

A large number of these facilities were “cooperative” in name only. They were characterized moreover by an almost compulsory membership or even the luring of members with insincere offers: grants, tax benefits, low-cost loans.

These pseudo-cooperatives were conceived for the most part with one goal only: to be used to carry out government plans. Such coops were unable to secure the active participation of their members in the running of the cooperative, nor a financial commitment from them.

In 1995, the ICA introduced the fourth principle to highlight this experience. This fourth principle underlines the fact that cooperatives can develop only if they are allowed the means with which to operate in accordance with their own rules and if they are free to pursue the objectives which they themselves

have set.

Nonetheless, this principle in no way forbids cooperatives from working with governments or development agencies, but it is a reminder that it is crucial that they remain autonomous and independent.

5th Principle: Education, training and information

Cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

In a cooperative, the solidarity of the group is not based on family ties but on agreement. People wishing to join the cooperative and its members have to know their rights and their obligations in this organization. The members have to learn how to work together and relinquish their personal interests in favour of the group's interests. The directors of a cooperative will have great responsibilities and will be able to exercise real power. They have to learn how to use this power wisely and run a democratic commercial enterprise. The directors and managers of the cooperative must also be aware of their responsibilities towards the members.

6th Principle: Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Pooling resources and gaining strength by working as an organized group is not only applicable to individuals but also to cooperatives. That is the idea behind this sixth principle.

By working with other cooperatives and creating secondary cooperatives (those whose members are cooperatives), the advantages of primary cooperatives, which are relatively small in size and close to their members, can be combined with the advantages of large-scale cooperatives, unions and federations: economies of scale, purchasing power, professional staff, working for the benefit of the affiliated primary cooperatives. It can also be interesting for the primary cooperatives to work together within the framework of their operations. In this way, a worker cooperative will see itself being granted a loan by a credit union, allowing it to buy the materials it needs for its products.

7th Principle: Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Wherever they are, cooperatives live side by side with the community they belong to. They enjoy the benefits of the infrastructure, the services and amenities of the community. Consequently cooperatives have a responsibility towards these communities and cannot ignore their needs. Of course, it is up to the members to decide how much of the cooperative's resources they are willing to allocate to the development of the community in which the cooperative operates.

This seventh cooperative principle of the ICA was newly added to the list of the Manchester principles in 1995 to counterbalance the sometimes "egoistic" tendency of self-help organizations. It must be left to the attention of the cooperative to decide how to use its resources.

To this day there exists no cooperative responding to all the cooperative principles. These principles must be viewed as the mission statements of an ideal cooperative which all cooperatives aspire to become. These principles are the guidelines by which a cooperative puts its values into practice. Taken together they explain the "cooperative difference".

Main advantages of the cooperative structure

By involving consumers, producers, owner-employees or some of these categories in the decision-making process as owners of the business, cooperatives have certain advantages over other types of companies.

- The involvement of such a significant group of participants can lead to innovation within the enterprise;
- The users are the members, which means that the cooperative has first-hand information about the needs of the consumers and their different behaviour patterns, habits and expectations;
- The setting up of a cooperative allows it to enjoy economies of scale;
- The motivation of the employees in worker cooperatives in their role as owners is strengthened;
- The protection of the interests of the members allows much more scope for dealing with short-term economic or other problems;
- The democratic decision-making process makes the decisions taken more sustainable and representative of members' needs;

- The non-distribution of reserves can also improve the financial footing of the organization;
- In general, sustained development of the enterprise is possible in spite of external pressures.

Differences also appear in the management of a cooperative²². One example is that in the case of a cooperative, you shouldn't talk about "profit" but about "surplus". The difference is significant, it finds its roots in the very nature of the cooperative, its objective, which is to improve the living conditions of its members. The cooperative's management system is therefore different from that of a capitalist enterprise whose goal is to maximize its profits.

This concept is not always understood by members and directors of cooperatives who often think that the role of a cooperative is to create surpluses; whereas, as mentioned previously, its role is something quite different: to respond as effectively as possible to the needs of its members. More particularly, for a consumer cooperative: to sell its products at the lowest possible price and/or in the best conditions for the shopper; for a credit union: to allow its members to save their money at the highest possible interest rate and likewise to allow them to take out credit union loans at the lowest possible rate of interest. And so on according to the type of cooperative. Then arises the question of how to use the surplus. According to the third principle, this surplus can be used for developing the cooperative, as dividends for the members in proportion to their transactions with the cooperative or as support for other activities approved by the members.

This third principle regarding "Member economic participation" can be somewhat controversial, mostly on the subject of restricted interest on capital. This restriction greatly affects the cooperative's administration, especially the share capital of the cooperative. In fact, the restriction on capital interest discourages members from investing in their cooperative.

In the opinion of some writers, payment of interest on share capital works against the success of the cooperative. It is seen as a practice which wrongly rewards "lazy" members to the detriment sometimes of "active" members. In

²² Cooperative management is the art of directing the activities of a group of people towards an objective arrived at by common consent, in accordance with cooperative principles. That means coordinating all available resources within the framework of a predetermined policy to meet that objective. Four functions are involved: planning (defining the aims for the future work of the organization and deciding on the tasks and resources required to reach them), organization (assigning tasks, grouping them together and allocating the necessary resources to each), management (using any influence at their disposal to motivate employees and so reach the aims of the cooperative), monitoring (supervising the activities of employees, keeping the cooperative on course towards its goals and if necessary making adjustments).

some countries (Canada for example), the law states that if a cooperative is disbanded, its frozen assets must be transferred to another cooperative. In other words, a member of a dissolved cooperative who, by his active participation, has contributed to a considerable asset base sees these assets distributed to another cooperative²³. But it is important to bear in mind that “*a cooperative is not a company like any other*”. It has not been set up for the same reasons as a capitalist company i.e. to make money from invested funds, which makes all the difference.

In the same way, the ownership of cooperative assets can be controversial. Some laws guarantee the collective ownership of the cooperative; consequently, as an individual, a member cannot claim to own any more of the cooperative than the value of his shares. Therefore he cannot benefit from the cooperative’s assets following dissolution. Then again, it is worth remembering that in general such steps were taken to avoid a hostile dissolution by members seeking to share out among themselves the legal reserves of the cooperative.

Thanks to its social nature and its “raison d’être” which is to respond to its members needs, in many countries the cooperative enjoys certain advantages especially in tax matters but also in terms of the ease with which it can be set up. In contrast to what applies to other forms of companies, national laws generally do not ask members wanting to set up a cooperative for minimum capital or registration fees. All these advantages are however granted because of the distinct nature of the cooperative. They would no longer apply were the cooperative to lose its values and the social character associated with them.

²³ Read Zvi Galor on this subject (see bibliography).

Key points from the chapter
“ Key features of a cooperative enterprise”

- In contrast to capitalist companies whose goal is the economic profit of their investors, the objective of the cooperative is to satisfy the needs of its members.
- The members of a cooperative are at the same time customers and/or suppliers, and/or employees, and owners of the cooperative.
- A cooperative is both an association and a business.
- Cooperative life is governed by 7 principles:
 - Voluntary and open membership;
 - Democratic member control;
 - Member economic participation;
 - Autonomy and independence;
 - Education, training and information;
 - Co-operation among co-operators;
 - Concern for community.
- Some of these cooperative principles can act like fairly heavy constraints for cooperatives but they guarantee respect for the cooperative identity.

Types of cooperative and their place in society **4**

Cooperatives operate in all sectors of the economy and in some lines of business their influence is considerable. Given the great variety of sectors in which cooperatives operate, it is difficult to list them for each sector. For a clearer analysis, we must choose a way of differentiating cooperatives. Here we have chosen as our criterion the principal objective of the members of a cooperative²⁴. Either the members enjoy services to which they have so far not had access, or their goal is to get a job. In the first case, we mean service cooperatives and in the second worker cooperatives. This distinction will then allow us to evaluate the importance of cooperatives in the world.

Types of cooperative

Cooperatives offering a service to members

In these cooperatives, the members join together with a view to enjoy economic advantages by securing the goods and services they need to exist, to carry out their occupation or to run their business. Service cooperatives can be made up of natural persons or corporate bodies. Thus by coming together in a service cooperative, members maximize the effect of their own business. The cooperative then sometimes becomes an extension of the individual business by effectively acting as a network.

Financial cooperatives, consumer cooperatives, housing cooperatives, producer cooperatives and marketing cooperatives are a few examples of service cooperatives.

Financial cooperatives

The term “financial cooperatives” covers credit unions and insurance cooperatives. This category of cooperative offers its members financial services such as savings and loans at favourable interest rates and insurance services.

²⁴ Please note that there is a multitude of criteria for differentiation: geography (urban and rural cooperatives), gender (male and female cooperatives), occupation (farming and artisans' cooperatives), etc.

The credit union of the artisans of Thiès in Senegal was formed in 1999 and has been operating since January 2000. Its object is to meet the financial needs of the artisans through savings and loans, in all the urban and rural parts of the Thiès region.

Besides its general meeting, this cooperative is composed of three constituent bodies, namely: the seven-member credit committee which receives and considers loan applications; the seven-member supervisory committee whose job is to monitor working practices and the integrity of management; and a thirteen-member education and training committee which takes care of member training activities.

In addition, from its central cashpoint in the worker village of Thiès, the cooperative runs three collection points at Thiès-ville, Mbour and Tivaouane. From 402 members at the beginning with savings of 4 million CFA francs, the cooperative has grown to 910 members today with savings of 54.6 million CFA francs. Most of its members are artisans and joined on an individual basis or through a business.

Agricultural or farmers' cooperatives

Agricultural cooperatives help growers with the marketing of their harvest by obtaining consumer goods and farming input as well as helping with the management of farming credit. Farmers can also form a distribution cooperative to centralize and market farm produce. By reducing the number of middlemen, producers are in a position to conclude a much better deal with traders or can quite simply do without their services altogether and conclude a contract with any buyer they like.

The cooperative association for rural development of Banikoara in Benin (ACOODER) is one of several examples of cooperation among agricultural producers. Formed in 1971, ACOODER is an association of groups of producers involved in the production, supply of materials for, and marketing of farm produce. It is one of the few regional associations of cooperative societies still active in the service sector.

Today ACOODER has limited its field of operations to representing and defending the interests of farmers and artisans and providing financial, technical and training services for them as well as for cooperative organizations. ACOODER also sells the cotton produced by local growers. In 1998 it combined 71 cooperative organizations bringing together about 11,000 members.

Consumer Cooperatives

Consumer cooperatives' main object is to supply their members with goods and services for their personal use at the lowest cost. They are to be found in different sectors such as:

- food;
- housing;
- educational goods and services;
- leisure.

This type of cooperative has been used above all in the food sector both in developing countries struggling against insecurities of food supply and in industrialized countries in the grip of unstoppable rises in the cost of consumer goods. Thanks to consumer cooperatives, the member/consumer enjoys quality goods and services at minimum cost. Grain banks have also played a major role in the self-sufficiency in foodstuffs of several developing countries. These banks have a double function. On the one hand they supply people with food, and on the other they allow their members to secure enough money to let them buy produce from different regions. Members can be sure that their cooperative is listening to their needs because they take part in the decision making.

Although it was formed in 1965 by “ordinary“ housewives, the Seikatsu Club Consumers’ Cooperative Union (SC) in Japan is not a consumer cooperative like others. It all started when a housewife organized 200 women to buy 300 bottles of milk so as to reduce the price. The cooperative that has since developed puts the emphasis on the direct producer/consumer relationship to moderate and humanize the market. The cooperative works on the basis of two rules: democratic and autonomous management encouraging all the members to participate, and maintaining a close relationship between SC members and the producers.

Since 1965, the SC has devoted itself to the environment, to women’s rights and to improving their working conditions. It is so successful that it has managed to have had more than 100 of its members elected to various political positions. More and more women in Japan are entering the workplace, and the SC has therefore put in place cooperatives of female workers to undertake distribution and other services such as recycling, a child-care service, an insurance company, etc. There are at present more than 200 organizations and 8,000 female workers.

Housing cooperatives

A housing cooperative is made up of individuals who have come together to secure decent housing. Housing cooperatives are thus trying to respond to their members’ needs regarding access to affordable good quality housing, security of tenure and a safe community to live in. They offer the best possible service at an equitable price, the lowest possible.

In more practical terms, a housing cooperative is e.g. an ordinary block of flats, big or small, new or old - but always renovated - where the people who live are both tenants of their home and collectively owners of the block. This collective ownership does not involve a huge financial investment. As

collective owners, the members, i.e. the residents of the block, jointly take upon themselves the entire management of their building and the cooperative itself. This collective management takes the form of democratic participation in meetings, plus an active contribution to the tasks needing to be done to ensure the successful operation of the cooperative. Thus each member exerts control over the quality of his environment. And since everyone participates in the management and maintenance of the building, the resulting operating costs are minimal for the cooperative. Therefore it is usually in a position to charge much lower rent than the market rate. Also, this involvement of everyone is explicitly recognised by several cooperatives which offer their members a "member's contract" comprising a reduction in the rent stated in the signed lease. Thus a resident who systematically refuses to carry out tasks could lose his status as a member and have to pay the rent set in the lease.

Advantages of the housing cooperative: a quality home at a good price, long-term security of tenure, control of one's environment, involvement in the running of the cooperative.

The National Cooperative Housing Union (NACHU) is an organization that has existed in Kenya since 1979. It is run by a Board of Directors composed of one representative from each of the 8 Kenyan provinces and 3 administrators elected so as to ensure a better male-female representation.

The NACHU comprises 214 housing cooperatives sheltering about 200,000 people. The housing cooperatives in Kenya are construction cooperatives where the members become owners both of their plot of land and of their building. However the cooperative provides collective services such as communal toilets.

There are seven forms of housing cooperative²⁵:

1. Worker cooperatives organized by building workers either to create jobs within their enterprise or to provide services to other businesses;
2. Cooperatives of individually-owned houses formed by members looking for a home. They confer on their members individual title deeds or retain ownership of buildings and allocate flats to members with special rights of residence which can be passed on to their heirs;
3. Collective ownership cooperatives which build blocks of flats but do not give members title deeds. On the other hand the member is given the right of shared ownership of the building or group of buildings. This type of coop has been very successful in the United States, especially in the city of New York;
4. Tenant cooperatives in which members are neither private owners nor co-owners, but tenants who can participate with voting rights in the management

²⁵ International Labour Office: Housing cooperatives (Geneva).

of the buildings they live in and which are rented out by the society of which they are members;

5. Self-build cooperatives which are groups of people with a common housing problem who have decided to organize themselves in a cooperative way into a team of workers to build the houses they need;

6. Management cooperatives with the task of managing dwellings and organizing complementary services;

7. Cooperative building societies which provide mortgages of a certain percentage of the value of the house to be bought or built. Their funds come from shares subscribed by members and deposits made by these same members or by other people or institutions.

Public service provision cooperatives

It can sometimes be beneficial for the State and the consumer for a cooperative to take on the provision of services considered to be in the “public” interest like electricity or water supply, communication and transport. In developing and transitional countries for example, when the State takes charge of these services, they are often badly run, costly and of bad quality. In developed countries, the State sometimes leaves the provision of such services to private companies. But these capitalist companies, out to make maximum profits, set prices which rarely reflect the quality of the service they sell.

In practice, the provision of public services by cooperatives is not at all new. It has been happening for some years now in Argentina, Canada, the USA and Finland and is starting in a growing number of countries.

It must be said that the cooperative form of organization possesses features that predispose it to the supply of public services:

- The cooperative leaves the control of the service to its users and guarantees that the product or services meet the users’ needs;
- The mandate of the cooperative is both social and economic. This corresponds to the main function of the public sector which is to balance socio-economic development with the best interests of the public;
- Through its democratic structure, the cooperative makes the service provider responsible for meeting the public’s expectations.

In the United States, rural electricity supply cooperatives run more than half of the electricity lines, carrying power to more than 25 million people in 46 States. Public service cooperatives have existed for several years in all regions of Canada and supply households with electricity, gas, telephone services, sewage and water supply services, fire-fighting services, etc. In this field more than 400 cooperatives offer services to about 150,000 households.

Still it is important to stress that, bearing in mind the basic principles of a cooperative, if, in the area of public service provision, the cooperative supplies a service to a non-member, this is only consequential, the primary aim of a cooperative being to meet the needs of members, not non-members. For example, a group of individuals can decide to form an electricity cooperative in order to secure relief from the frequent power cuts affecting their town. Of course, the cooperative cannot serve only its members; nevertheless its primary aim being to meet the electricity supply needs of its members, it is by the “domino effect” that it will improve the living conditions of non-members. It is interesting to note that there is no contradiction at all with the seventh cooperative principle of concern for community.

In France, a new type of cooperative has appeared: La Société coopérative d'intérêt collectif (SCIC) or community interest cooperative society. This form of cooperative has the objective of producing or supplying goods or services in the community interest which are socially useful in nature: help in the home, integration through economic activity, socio-educational activities, tourism, etc. The title of social usefulness lets the coop enjoy tax breaks. At the same time the United Kingdom is about to create a new form of enterprise equivalent to the SCIC, “Community Interest Companies”.

Shared services cooperatives or support services cooperatives

A shared services or support services cooperative is a cooperative whose members are private companies or public bodies which together acquire goods and/or services of an assured quality at the best possible price²⁶. We are talking here about the organization along cooperative lines of businesses wanting to benefit from certain services or activities that they have in common. In the image of a consumer cooperative, the aim is to obtain products and/or services at a lower price than the members (i.e. the businesses) would have had to pay individually. The services offered by these cooperatives range from supplying raw materials, marketing and distribution through to providing counselling services, by way of education and training.

26 This definition is taken from the one published by the American Department of Agriculture, rural economy and community development branch (USDA) and the National Cooperative Business Association (NCBA) in the United States.

In the United States, VHA is a cooperative whose members are on the one hand health care institutions based in their community and on the other independent doctors. VHA responds to the needs of more than 2,200 institutions, representing 26% of all the community health institutions in the United States, and about 175,000 doctors. VHA was founded in 1977 by 30 health care institutions. The main goal of VHA was to enable community health care institutions to compete with private hospitals by a united effort to acquire communal goods and services. Each year VHA negotiates for more than 17 billion US dollars worth of supply contracts for its members. In 2000, VHA members earned 1.15 billion US dollars in refunds, savings and additional holdings, being a return on investment of 56 to 1. In other words. VHA members save or receive more than \$56 for each dollar paid in subscription charges to VHA.

Worker cooperatives

The main objective of worker cooperatives is to create jobs for members. There are two categories of worker cooperatives: producer cooperatives and labour cooperatives.

Producer cooperatives²⁷

In this type of cooperative members are both co-owners and employees of the cooperative whose aim is to produce goods and/or services. The employees together decide on the general direction and appoint their leaders (manager, administrators, etc.) They also decide how to divide up any surplus. Another novelty of this type of cooperative is that it allows for the takeover and restart of a bankrupt business. This option is one way of keeping going and developing the business and existing jobs. To restart a business as a producer cooperative is to enable employees to become players in the business, thanks to the participative style of management.

It was in May 1964 that the consumer cooperative society, later the producer cooperative, "Chèque-Déjeuner" (luncheon voucher) was formed with a capital of \$1,500 collected by 24 people. This society sells restaurant vouchers that can be used in 150,000 eating places in France. Set up in a very small area of Paris, the society had, until 31 December 1964, sold only 22,910 vouchers and had to take out successive loans to survive. By the end of 1967 the willpower of the founders was finally rewarded and proved its ability to develop. The publicity given to the restaurant vouchers, the security they brought to businesses like restaurants, union action demanding vouchers for employees, all gave a boost to the formula and to Chèque- Déjeuner.

To ensure the future of SCOP, Chèque-Déjeuner opted as early as 1971 for a strategy of diversification with the birth of Chèque-Vacances (holiday voucher),

²⁷ These cooperatives are also called worker -owned cooperatives (SCOP).

run ever since by the national agency for holiday vouchers. In 1989, the 25th anniversary of SCOP, more than 100 million luncheon vouchers to the value of 570 million dollars were issued. The Chèque-Déjeuner group invested in Chèque de Services, formed to improve job security, and Chèque Domicile, aimed at creating jobs for domiciliary help and services.

In 1996, the Chèque-Déjeuner group issued 200 million vouchers for a consolidated business performance of more than a billion dollars, employed 176 workers including 159 members and enjoyed a presence abroad in Spain, Italy, Turkey, the Czech Republic, Slovakia and Hungary.

Labour cooperatives

Labour cooperatives are worker cooperatives whose members sell their labour and skills to other enterprises. They generally operate in the fields of packing and maintenance of highways and public buildings, etc.

In Canada the FCCT, or Canadian federation of worker cooperatives, was constituted in 1992 to act as an “umbrella” organization for the numerous worker coops in the country. Based on the guiding principles of cooperation, FCCT’s vision is to develop and sustain an integrated network of democratic worker coops which offer great quality of life at work and which consult with each other to support sustainable local economies. Often the members of worker coops are from the working class, without a job and are not traditional entrepreneurs. That is why the FCCT has a mandate to exert pressure on governments to enable members of worker coops to participate in different government programmes. At the present time, the FCCT is very busy in the rural Atlantic Provinces of Canada where the unemployment rate is very high. The Federation is doing its bit to breathe new life into the Atlantic Provinces and to relaunch industry in that very needy part of Canada.

Cooperatives in the world

Thanks to their variety, cooperatives play a major part in the economic activity of every country. Today more than 700 million people in the world are members of cooperatives. They employ more than 100 million people and, in some countries, they are some of the principal employers, for example Colombia where the national health care cooperative is the nation’s no 2 employer. In the United States, there are 47,000 cooperatives with a total of over 100 million members; more than twenty of these cooperatives have an annual turnover of more than a billion dollars²⁸.

The impact of cooperatives on the national economy can also be measured by their share of the market. Thus in 1996 the market share of cooperatives in agriculture reached 83% in the Netherlands, 79% in Finland and 55% in

²⁸ Source: ICA (2000).

Italy.

In the forestry sector the cooperatives' share amounted to 60% in Sweden and 31% in Finland. In Côte d'Ivoire, cooperatives account for 77% of cotton production. In the republic of Korea, cooperatives sell 40% of the local agricultural produce.

Figure 1: Global figures in the modern cooperative movement

| | No of members (millions) | Number of countries |
|----------------------|--------------------------|---------------------|
| Asia Pacific | 495 | 25 |
| North America | 162 | 2 |
| Europe | 90 | 36 |
| Africa | 14 | 14 |
| Latin America | 10 | 16 |

(Source: ICA, Review of International Cooperation, 1996)

Of course, the importance of each type of cooperative varies according to the region and the country.

Agricultural cooperatives: the largest number of members

Agricultural cooperatives enjoy success both in industrialized countries and in developing or transitional countries. "Agricultural cooperation" makes up the largest cooperative movement in the world in terms of the number of members. At present agricultural cooperators total more than 410 million in 540,000 cooperatives. Asia has more than 83% of the total number of cooperators (situated mainly in India and China). But in terms of turnover, Europe is in top spot (thanks to French, German, Dutch and Italian cooperatives) with 42% of the total turnover, amounting to more than 600 billion dollars²⁹ in 2001. In Europe there are 44,260 cooperatives with 14 million members and 720,000 jobs. In France for example, agricultural coops control important businesses in the non-cooperative sector or create privately-owned subsidiaries. American agricultural cooperatives play an important economic role.

In 2000, the American agricultural cooperative movement accounted for 3,085,052 members divided into 3,346 cooperatives. The cooperatives' turnover amounts to 99 billion dollars. In developing or transitional countries, although this type of coop is an assured source of national income,

²⁹ Jean-François Draperi: La coopérative, une autre façon d'entreprendre (2001).

the withdrawal of the State from the sector and liberalization of economies have weakened the movement but it is nevertheless still there. In 2001 the agricultural cooperatives of Kenya had a turnover of 100.6 million dollars.

Credit unions: the most important in terms of turnover

The ability of credit unions to finance income-generating activities is enormous and explains the rapid expansion experienced by the financial cooperative sector. The World Council of Credit Unions (WOCCU) alone accounts for 34,839 credit unions with 95,926,879 members in 28 African countries, 11 Asian countries, 3 Pacific countries, 13 Caribbean countries, 16 countries in central and South America and 5 countries in North America and Europe. The global assets managed by cooperative banks amounts to 5,588 billion dollars. The European continent alone contributes 46.7% of the total assets of cooperative banks, whereas Asia represents a second significant group with 44.6%.

Cooperative banking institutions have more than 267 million members among them. 51.4% are in Asia and 30% on the American continent. 71.8% of credit unions are concentrated in Asia. From an economic viewpoint, the cooperative banks of the industrialized countries of the northern hemisphere are the most important but the premier cooperative bank in the world in terms of members is Indian.

Figure 2: Credit unions (CUs) in the world

| | CUs | Members | Savings (\$US) | Loans (\$US) | Assets (\$US) |
|---------------|--------|-------------|-----------------|-----------------|-----------------|
| Africa | 7 468 | 9 602 714 | 2 089 673 987 | 2 138 442 995 | 2 059 575 430 |
| Asia | 18 662 | 31 229 523 | 47 624 782 474 | 32 785 712 405 | 54 953 979 690 |
| Caribbean | 313 | 1 675 766 | 2 203 944 087 | 1 720 034 921 | 2 603 122 454 |
| Europe | 2 863 | 6 704 674 | 17 680 062 526 | 10 295 123 168 | 19 927 861 511 |
| Latin America | 1 983 | 12 386 384 | 11 467 689 844 | 3 385 432 647 | 17 003 478 483 |
| Middle East | 1 659 | 429 608 | 58 262 462 | 1 124 065 378 | 382 586 |
| North America | 9 427 | 91 238 685 | 659 217 504 488 | 531 770 864 548 | 772 076 266 217 |
| South Pacific | 330 | 3 835 718 | 23 478 010 290 | 20 747 414 310 | 25 830 169 411 |
| Total | 42 705 | 157 103 072 | 763 819 930 158 | 612 201 609 601 | 894 454 835 782 |

Source: World Council of Credit Unions (2006)

The importance of agricultural cooperatives and credit unions must not cause

us to forget the development of other forms of cooperatives.

Already very much a feature in Europe, housing coops are enjoying growing public interest in developing countries. In Ethiopia for example, there are 1,000 cooperatives of this type with 42,000 members altogether, Tanzania has 117 with 7,000 members, in Chili 20% of low-cost tenancies are offered by cooperatives.

New features in cooperative affairs

The flexibility of the cooperative formula means we can see novel and even innovative applications in industrialized countries:

- Cooperatives were the first enterprises to think about Centres of Business Development in the field of federations of services to cooperatives;
- Collective service cooperatives have existed for a long time in the United States, where rural electricity cooperatives, for example, provide electricity for 26 million members at rates based on real costs and supply more than half of America's electricity distribution lines. This kind of cooperative is also being developed in Portugal. In the United Kingdom, a telephone cooperative has recently been set up with excellent results: it buys "communication time" at advantageous rates and passes on the savings to its members in the form of reduced cost or payment of dividends, calculated according to the usage of the service;
- Social cooperatives set up in Italy and central Europe provide lots of jobs for handicapped members and other excluded groups including former detainees and drug addicts;
- Franchising cooperatives are being developed in the United States and are also appearing in Europe, for example in the fast-food sector in Finland. A franchise is a contract whereby one enterprise (the franchiser) allows one or more independent businesses (the franchisees), in return for a fee, the right to use its trade name and logo to sell products or services. This practice is becoming increasingly widespread in cooperative circles. In fact the number of franchised coops keeps on growing because of the opportunities offered by the cooperative form of organization in the field of distribution, especially in terms of purchasing power. It can happen, as has been the case in the United States, that some franchisees take over their franchisers. The creation of sub-contractors cooperatives of the large Japanese car manufacturers gave small sub-contractors greater power of negotiation and meant they could avoid breaks in supply;

- In the United States and Japan, “campus cooperatives” offer students numerous services, such as low-cost shops, accommodation, and counselling services. The student cooperative of Harvard Business School in Boston in the United States and the Higher Panafrikan Institute of Cooperative Economy of Cotonou in Benin are a couple of the best-known examples;
- E-commerce cooperatives allow small craft businesses and independent artisans in France and Italy to market their products and sell them on the internet. In Colorado, for example, the Colorado Internet Cooperative Association is an internet service provider run by its owner-members. This cooperative was founded in January 1994 to give reliable internet access at cost price and with no resale restrictions. In Finland, Katto-Meny, likewise a service provider, offers its members user names, e-mail addresses, a mailing list, a directory of web publications and access to a modem.

Key points from the chapter
“Types of cooperative and their place in society”

- Cooperatives exist in all sectors of the economy.
- Cooperatives can be classified in two categories: those offering services to their members (credit unions, consumer cooperatives, housing cooperatives, agricultural cooperatives, etc.) and those whose aim is to provide jobs for their members, the worker cooperatives (producer cooperatives and labour cooperatives).
- Agricultural cooperatives and credit unions are the biggest forms of cooperative in the world but other forms tend to appear in response to members' needs: social cooperatives, e-commerce cooperatives, electricity cooperatives.

Organizational structure and financial organization of a cooperative

5

Having seen that cooperatives can have many varied economic and social activities we must now concern ourselves with the actual functioning of the cooperative and its way of organization.

We will distinguish the cooperative's organizational structure from its financial structure.

Organizational structure

At this stage of our analysis, we have been able to establish that a cooperative is certainly a business but of a very individual nature. Its democratically exercised power is one of its main features. Bearing that in mind, the administrative organization of a cooperative could only be based on democratic principles.

The administrative organization relies on the in-built, permanent and direct participation of the cooperators. In other words, the members alone are able to manage and administer their business and they do not share their power with any other group of people or even with a public authority. Moreover the decision of the members is final in all matters, especially those linked to the organization and structure of management bodies, the political direction of the coop, management practices, etc.

The rules of a cooperative

The organization of a cooperative is inscribed in its rules. The cooperative's rules are worked out by the members and form the constitution of the cooperative. The rules dictate the operating guidelines of the cooperative. Drawing up the rules is a prerequisite to registration of any cooperative with the relevant authorities.

What is included in the rule book varies according to the country but certain elements are common to all legislations. The rules include:

- the business name of the cooperative society;
- the address of the cooperative's headquarters;
- the definition of its business objectives;

- the amount of total share capital³⁰;
- the value and minimum number of shares³¹ to be subscribed by each member;
- the type of financial responsibility of the members for the cooperative society's debts;
- procedures for admitting and excluding members;
- the composition of the different constituent bodies within the cooperative.

Drawing up the rules requires very special care as they define the relationship the members have with their common enterprise, their rights and their responsibilities.

The different bodies

A cooperative must consist of a General Meeting and supervisory and management committees. There are two forms of organization, one made up of a Board of Directors and its chairperson, the other consisting of a Management Committee and a Supervisory Committee.

The General Meeting

The General Meeting is the sovereign body of the cooperative. It is the source of all authority and all power within the cooperative and the place for the direct expression of cooperative democracy. It takes the final decisions.

Composition

All members of the cooperative are part of it and have an equal right to participate and be heard.

Role

- The rules of a cooperative set the frequency and procedures for calling meetings but usually the General Meeting is convened at least once a year. It is the General Meeting which at its first session adopts, and subsequently amends, the rules. Beyond the functions and powers which are specifically conferred on it by the law in force at the time, the General Meeting's role is:
- to change the cooperative's policies or the procedures

³⁰ Share capital comes from members' deposits. It corresponds to the total amount put permanently at the cooperative's disposal by its co-owners in the form of contributions.

³¹ A share is a title representing part of the share capital of the cooperative which is given to the members in exchange for their contributions. All the shares together make up the share capital of the cooperative.

established by the cooperative;

- to elect and remove from office the members of the Board of Directors and Supervisory Committee;
- to examine, approve or reject the (usually annual) report and accounts which have to be presented to it;
- to divide the operating surplus after transfers to statutory reserves (by adding to special reserves or other funds or by paying dividends);
- to have the final say on admission and exclusion of members;
- to decide on the dissolution of the cooperative.

In certain cases the rules state that decisions by the Annual General Meeting are valid only if taken in the presence of a minimum number of people called a “quorum”.

The Extraordinary General Meeting

It can sometimes happen that some decisions call into question the very rules of the cooperative or even its existence (in the case of a merger or dissolution). For cases like these the General Meeting must be specially convened in the form of an Extraordinary General Meeting.

The Extraordinary General Meeting can also be convened whenever the Board of Directors or Supervisory Committee deems necessary or when a certain proportion of members make a request for it in writing.

The Inaugural General Meeting is the one that adopts the policies and rules of the cooperative.

The right to vote at the General Meeting

The right to vote at the General Meeting follows the democratic rule: “one member, one vote”. That means that any member who has satisfied his/her financial obligations with regard to the cooperative in accordance with the rules has one vote and only one vote. The right to vote is exercised by the person who holds it and is in no way linked to the total contribution made by the member to the capital of the cooperative.

Some laws or rules authorize a proxy vote in cases where members are unable to attend the General Meeting.

The General Meeting cannot alone run the cooperative. It therefore generally delegates part of its authority to the Board of Directors.

The Board of Directors

The Board of Directors takes on the day-to-day running of the cooperative.

Composition

It is composed of a variable, but legally fixed, number of members elected by the General Meeting for a set period but usually eligible for re-election.

Role

The Board of Directors has all the powers not reserved to the General Meeting.

Besides that, its role is:

- to decide the direction of the cooperative;
- to select strategic objectives;
- to define policies on salary and human resource management;
- to take steps to carry them out;
- to appoint and dismiss personnel (including the manager of the cooperative) and set the level of remuneration;
- to lease premises;
- to organize services and monitor their delivery;
- to agree the annual budget and monitor it;
- to adopt administrative policies.

In other words, all that is needed to achieve the business aims of the cooperative. On the other hand, unless expressly allowed for in the rules, the Board of Directors cannot, without a General Meeting decision, carry out deeds which are irreversible or affect the long-term viability of the cooperative (buying or selling a building or a business, taking out a loan, disposing of the cooperative's property etc.). The General Meeting remains the highest authority in the cooperative.

An important characteristic of this body is its collective nature as the Board of Directors can only exercise its powers collectively. None of its members can take decisions alone.

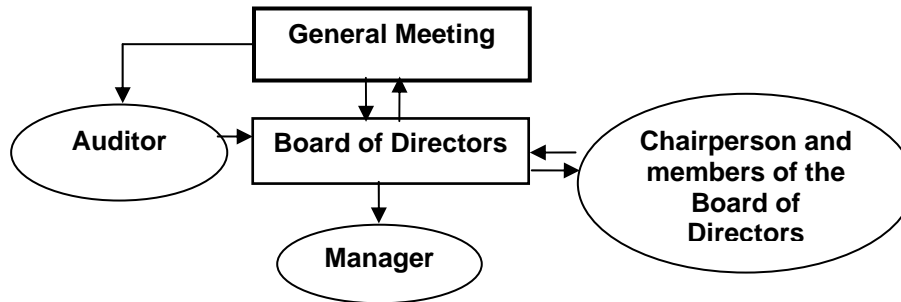
A Board chairperson is often elected. S/he chairs discussions at the Board and the General Meeting, represents the cooperative vis-à-vis third parties and in court. There remains a problem with election to this office as it is usually carried out by the Board of Directors.

However, the Board does not constitute the entire membership. A more logical approach would be for the General Meeting to take charge of the appointment to this position.

The Auditor

The auditor represents, for the entire membership of the cooperative, an aspect of financial control that is permanent and independent of the Board of Directors. Elected by the General Meeting, s/he presents a report and is answerable to it. The auditor has the right to convene it if s/he sees fit. His/her role is limited to monitoring rather than managing. S/he can receive payment, the amount to be paid being set by the General Meeting.

Figure 3: Diagram of the classical structure of a cooperative



The above figure is a diagram showing the classical structure of a cooperative. However the structure of a cooperative can take a completely different form out of a concern to avoid too great a concentration of power.

Supervisory Committee and Management Committee

In this other type of cooperative, the General Meeting elects a Supervisory Committee and a Management Committee instead of a simple Board of Directors.

The Supervisory Committee's role is to monitor the appropriateness of the measures taken by the Management Committee. The latter assumes the roles of management and administration which, in the traditional structure, are shared between the Board of Directors and the Manager.

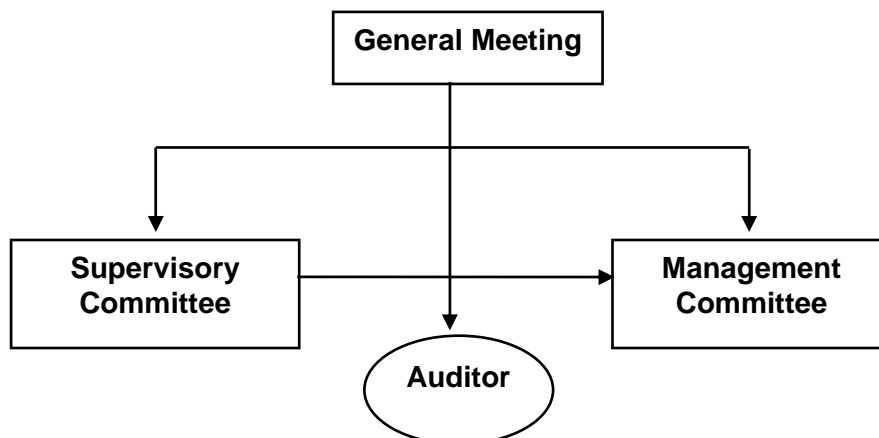
The auditor nevertheless remains present in this form of organization with the same duties.

This structure has the advantage of being coherent and consistent with the principle of separation of powers. The previous organizational structure presented a Manager who is supposed to run the cooperative with powers invested in him by only a proportion of the membership through the Board of Directors and not by all the members. In this new structure the Management Committee and the Supervisory Committee have the advantage of being

appointed by the whole membership. These two bodies have totally unquestionable power.

The new structure is presented as follows:

Figure 4: Diagram of the alternative structure of a cooperative



These two types of organization rely on the active and ongoing participation of members and on the democratic nature of a cooperative. The General Meeting has a considerable part to play, in the sense that it is the foundation and source of all the bodies that are linked to it. The principle of “one member, one vote” assumes that each member must be involved in the running of their cooperative; the successful running of the cooperative relies on its members.

It is important not to forget that the main feature of a cooperative is its desire to adopt a democratic structure. However, such a way of running things depends on the ability of members to participate in the life of the cooperative and consequently to attend General Meetings, the place where the principle of “one member, one vote” assumes its full significance.

If there is reduced participation by members at General Meetings, the situation will arise where a minority of people end up running the cooperative. It is so as to avoid just such an eventuality that a quorum is often written into the cooperative’s rules, specifying that GMs can only legitimately be held if a certain proportion of members are present. In most cases, it is stipulated that, where a quorum has not been reached, a second General Meeting should be held legitimately so that a minority cannot hold matters up.

Financial structure

Even though a cooperative remains different from capitalist businesses whose driving force is the profit motive, achieving its stated business goal requires financial backing.

In the case of a cooperative, financial backing can take four forms:

- Share subscription;
- Borrowing;
- Building up of reserves;
- Donations and bequests.

Each of these forms presents advantages and disadvantages.

Share capital

Its constitution

The share capital of a cooperative represents the total shares subscribed by all members. In fact, corporate and non-corporate assets will be needed to make the cooperative work. Some of these assets will be used long term by the cooperative for the advancement of its members: things like land, equipment and machinery, blocks of flats, shops, etc. These are called “fixed assets”, assets or property meant to be used on a long-term basis for running the cooperative’s operations. Capital assets should be financed by members’ shares, but that is not always the case. There is no general rule for calculating the value of a share. It is up to members to determine it themselves. Other assets are destroyed the first time they are used for running the cooperative’s operations. These are called “working capital”.

Generally speaking, in developing and transitional countries, members of a cooperative have very little in the way of resources, sometimes not enough to contribute to shares. Then it is possible to substitute with payment in kind such as construction work, transportation of materials, secretarial work etc. These payments can either be made voluntarily or be reimbursed with shares. It should be noted that you qualify for membership as soon as shares are subscribed.

Of course, in the spirit of the Rochdale Pioneers, members can also save the required amount of money before setting up the cooperative.

Its nature

The first cooperative principle which deals with voluntary open membership is the reason for the variability of share capital. As the

number of members is not fixed, share capital varies all the time as members join, are excluded or leave: it grows whenever new members are admitted or additional shares are paid in; it diminishes after a death, exclusion or resignation.

Its characteristics

In contrast to the stock of a capital fund which means an investment for the shareholder, the shares of a cooperative are simply the contribution each cooperator makes to the cooperative's resources so that it is in a position to perform the very services expected of it. For this reason shares are not a source of capital gains as with the stock in a capitalist-type enterprise.

At most, as mentioned in the third principle to do with economic member participation, shares can attract fixed and limited interest. We have seen that this principle is subject to controversy due to the possibility of favouring passive members at the expense of active members or discouraging members from investing.

Another feature of shares is their personal nature making them non-negotiable and non-assignable except by transfer and with the authorisation of the Board of Directors.

Surpluses and reserves

The surpluses of a cooperative can be allocated in three different ways: to strengthen the capital base³² by establishing reserves; to pay a "dividend"; to pay members limited interest on capital.

The reserves of a cooperative are collective and only in exceptional cases can they be distributed to members. This reserve fund allows the cooperative to mitigate the effects of periods of weak activity. Some cooperators, however, tend to reject the existence of reserve funds and ask for the money to be allocated to dividends but up till now this practice has remained marginal because the absence of a demand for a minimum capital outlay to start a cooperative makes it preferable, and a legal requirement, to create a reserve fund.

Borrowing

A cooperative might have to borrow to make up for lack of capital.

Considering the desire for independence and autonomy of cooperatives³³,

³² The capital base represents the resources that an enterprise does not need to reimburse except if it goes out of business.

³³ See: fourth cooperative principle.

borrowing from within the membership is preferable. A large number of cooperatives, particularly consumer cooperatives, have acquired enough resources for little outlay by encouraging and collecting savings from their members in the form of interest-earning deposits payable on demand or at a due date.

The cooperative sector can also turn out to be a possible source of finance. Credit Unions are one example. Cooperatives which have proved their soundness can also issue bonds to their members or encourage them to subscribe extra shares although such shares in no way change the rule of “one member, one vote”.

Finally, as a last resort, the cooperative can appeal to banks or other financial institutions.

It is worth noting that usually the financial responsibility of members is limited to their share subscriptions. As a result the personal property of members is not affected by the cooperative’s borrowings.

Moreover, even though a cooperative is a business, the rules governing its financial management differ somewhat from a capitalist business.

Nevertheless it must take certain basic precautions such as making sure that there are enough funds immediately available to cover short-term debts.

But members of a cooperative, particularly some employees like the manager and auditor, must constantly bear in mind that a cooperative is not like other businesses. Its nature and goals are quite different from the others. The goal here is not to make the greatest profit, but to give the best service to its members. It is therefore important to adapt the classic rules of financial management to the particular needs of the cooperative or at least adapt them to the cooperative situation.

Horizontal and vertical structure

In order to provide the best possible service to their members, in line with the 6th principle, cooperatives are duty bound to cooperate with each other³⁴. They can do so by means of two types of structure: the horizontal structure and the vertical structure.

Horizontal structure

The horizontal structure or horizontal integration is the collaboration of cooperatives operating at the same level. This collaboration can show itself in different ways: cooperatives can together exploit the same plot of land as perhaps in the case of agricultural cooperatives; cooperatives can also create a joint business to which they entrust certain services such as the marketing

³⁴ See: sixth cooperative principle.

or manufacturing of products.

Horizontal integration can also be seen in mergers of cooperatives. In this case either one or several cooperatives transfer their business to another cooperative, or one or several cooperatives create a new cooperative out of a concern to reduce costs, among other things.

Vertical structure

The vertical structure or vertical integration represents the hierarchical organization of the cooperative movement notably through the Unions, Federations and Confederations of cooperatives (the cooperatives' cooperatives). To run their operations more effectively cooperatives can form themselves into Unions. A Cooperative Union is a group of at least two cooperatives whose business purposes are identical or complementary.

With a view to representing and defending their common interests, at least two Cooperative Unions can form a Federation. National legislation generally authorizes one or several cooperatives which cannot be affiliated to a Union to join a Federation directly.

Finally, Cooperative Federations can come together as Confederations. A Confederation is what is called an apex organization of the cooperative movement.

Above all a Confederation acts in the following ways:

- it takes on the role of spokesperson at the national level of government and related authorities for all questions relating to the cooperative movement;
- it prepares and circulates statistical data about the cooperative movement;
- it advises on the general direction of national cooperative policy and suggests changes or revisions of documents concerning cooperatives;
- it represents the cooperative movement at regional and international level.

Key points of the chapter “Organizational structure and financial organization of a cooperative”

- The rules of a cooperative represent its constitution. They are drawn up by the members. They set the operating guidelines of the cooperative. Drawing up the rules is a prerequisite for any registration of a cooperative with the competent authorities.
- A cooperative is generally composed of different bodies:
 - the General Meeting, the supreme body of the cooperative to which all members belong;
 - the Board of Directors whose members are elected by the General Meeting and which manages the day-to-day running of the cooperative;
 - the accountant or financial controller of the cooperative.
- You sometimes also find, in place of the Board of Directors, a Management Committee and a Supervisory Committee.
- To join a cooperative each member must subscribe at least one share.
- The sum of all the shares represents the share capital of the cooperative.
- Cooperatives can allocate their surpluses: to capital, to dividends, to limited interest on capital.
- Cooperatives of the same level can work together if their activities so require.
- Cooperative Federations and Confederations ensure that cooperatives are represented at national, regional and international levels.

Part II

Cooperative enterprise

Cooperative entrepreneurship

6

The concept of cooperative entrepreneurship is fundamental. It is closely linked to the viability and durability of cooperative enterprise and consequently the cooperative movement.

This chapter presents first of all a brief glimpse of some basic ideas about entrepreneurship and the distinctiveness of cooperative entrepreneurship and follows up by specifying how it can be promoted.

Entrepreneur and entrepreneurship

Definition of an entrepreneur

There is no universal consensus on the definition of an entrepreneur. For some an entrepreneur is “simply“ someone who creates an enterprise; for others it is above all a motivated man or woman using their skills and potential to identify opportunities to develop a profitable going concern, by taking calculated risks to create, to innovate and to rehabilitate in the business world. The latter definition emphasises the innovative nature of the enterprise and acknowledges that risks might be incurred.

We shall quite simply say that an entrepreneur is a natural person or corporate body that takes calculated risks in mobilizing human, material and financial resources, bringing them together and organizing them with a view to achieving a pre-determined objective. An entrepreneur is someone who, after setting him/herself one or several objectives, finds a way of acquiring the financial and human resources necessary to create his/her enterprise and thus achieve his/her objective(s). The entrepreneur is continually seeking new opportunities. Creativity is one of the characteristics of the entrepreneur, but it is not the only one.

The main characteristics of an entrepreneur are in fact:

- an ability to create an enterprise;
- a desire to be one's own employer;
- an ability to be on the lookout for opportunities;
- an enthusiasm for work;
- an ability to adapt oneself to a given environment.

Definition of entrepreneurship

As for entrepreneurship, it is a concept which encompasses that of the entrepreneur. Entrepreneurship is a process of acquisition and management of human and material resources with the aim of creating, developing and carrying out measures that allow the needs of individuals or groups to be met³⁵. Here the aim for the entrepreneur in search of success is to be innovative in, for example, the creation of new products or new means of production, the discovery of new markets and new forms of organization³⁶. To achieve their purpose entrepreneurs must plan, organize and control the necessary resources whether human or financial. The concept of calculated risks is extremely important. For the future entrepreneur it is a question of not throwing oneself into any business without first having a perfect understanding of one's chances and one's environmental surroundings. To do this s/he will have to carry out a feasibility study which will determine his/her chances of success. This will include an environmental study, a socio-cultural study, a market study, a technical study, a study of other economic matters, a legal study, a financial study and finally an organizational study.

Cooperative entrepreneurship

In light of what has been said earlier, you can better understand why cooperative entrepreneurship is central to the viability and durability of the cooperative movement.

In the present capitalist context, the cooperative movement will inevitably have to try to be innovative to remain viable and to adapt to the needs of its members on the basis of its strengths and unique features.

Applied in the cooperative sphere, entrepreneurship is a process whereby a group of promoters mobilizes human, material and financial resources to launch a new cooperative which it runs profitably to satisfy their needs or those of the community. That is the definition of cooperative entrepreneurship. The "cooperative entrepreneur" is inspired by a constant desire to take the initiative and to get organized within the resources available to reach concrete results, which is called the spirit of enterprise.

To survive in a competitive environment all cooperatives have to be led and managed by entrepreneurs who have a sense of cooperative enterprise and who know how to innovate to respond to their needs.

For example a housing cooperative will have to be innovative in making appropriate use of local materials. It will also have to learn to collaborate with sources of funding including credit union networks. A credit union will

³⁵ Yvon Gassé: L'entrepreneur moderne: attributs et fonctions, in the *Revue Internationale de Gestion*, vol 7, no 4, 1982.

³⁶ Read J. Schumpeter on this subject.

have to be innovative in the way it persuades its members to save.

Before becoming good cooperators, all members must show themselves to be good entrepreneurs. The cooperative would be very lucky to survive without good entrepreneurs for a short period. Otherwise, it would be obliged to call on some outside person qualified for this type of work.

The challenge facing cooperatives is to continue to be an integral part of the private sector while keeping intact the social dimension and human values that characterize them. Of course, several factors can favour cooperative entrepreneurship among which external factors such as the harmonization of cooperative policies at national, regional and international levels. This process, as we shall see later, has already started thanks to the International Labour Organization's Recommendation no. 193 on the promotion of cooperatives and the adoption of other regional regulations, notably at European and African levels.

Cooperatives must now seek to absorb the culture of strategic management like other commercial ventures and provide their members with a variety of new products and services.

Cooperative entrepreneurship in fact seeks to bring creativity, innovation and strategic management into the cooperative movement. Not that these were never there in the past, but today they are more than ever necessary to ensure their viability.

To do this it is essential that financial and non-financial cooperatives have:

- visionary and dynamic governance structures;
- qualified, competent and dedicated personnel;
- modern management systems;
- new products and new services;
- effective marketing strategies.

In addition, it is expected that cooperative managers have a profound knowledge of management and of cooperative principles and practices, as well as the ability to listen and respond to the interests and wishes of members³⁷. It is also expected that the State provide legal incentives adapted to the needs of cooperatives. The survival of the cooperative movement depends on respect for these conditions in a world which claims to be more challenging day by day.

37 Mark Levin: Human Resource Development in Cooperatives: Towards Cooperative Entrepreneurship.

**Key points from the chapter
“Cooperative entrepreneurship”**

- An entrepreneur is a natural person or corporate body that takes calculated risks in mobilizing human, material and financial resources, bringing them together and organizing them with a view to achieve a pre-determined objective.
- The main characteristics of an entrepreneur are:
 - an ability to create an enterprise;
 - a desire to be one's own employer;
 - an ability to be on the lookout for opportunities;
 - an enthusiasm for work;
 - an ability to adapt oneself to a given environment.
- Entrepreneurship is a process of acquisition and management of human and material resources with the aim of creating, developing and implanting solutions capable of responding to the needs of individuals or groups.
- Cooperative enterprise is a process aimed at bringing creativity, innovation and strategic management into the cooperative movement.
- For cooperative entrepreneurship to be possible, cooperatives are duty bound to equip themselves with:
 - visionary and dynamic governance structures;
 - qualified and competent personnel;
 - modern, strategic management systems;
 - new products and new services;
 - effective marketing strategies.

Setting up a cooperative

The procedure for setting up a cooperative is not any more complicated than for any other form of business. Nevertheless, its promoters must be very rigorous. In fact the success or failure of a cooperative depends to a large extent on the quality of the work carried out before it is set up.

This setting up process can be broken down into six steps³⁸.

Step no.1: Form a core group

Constitution of the group

The inspiration for the creation of a cooperative generally comes from one or several people who have known of the potential for the set up of a cooperative and who have a good idea and a vision. These people will next contact other individuals to get them to join their cooperative project. The idea can also come from a group of people wanting to work together to realise a common vision.

The number of individuals involved in the core group can be crucial. Too many people in the core group can certainly slow things down but can also result in a better constructed plan.

There are different ways of contacting members:

- word of mouth;
- by means of posters;
- handing out brochures or leaflets at public events;
- organizing a forum for a discussion about cooperatives and questions relating to the project;
- mass media (radio, press, television).

Once the core group has been formed, it is necessary to create a start-up fund, as various costs are associated with starting up a cooperative: telephone, photocopying, postage etc. As did the Rochdale Pioneers, the members can put aside a certain amount of money each day. It is also useful to get information from local or even national authorities on possible

38 Read more on this matter : "Cooperatives by design, Building blocks for Co-op Development" published by BC Institute for Co-operative Studies.

assistance with advice or training etc. from the State or an NGO. Social or other kinds of events can also be organized like a dance, sale of produce prepared by members...etc.

Involving the members

A cooperative is a business based on democratic control by its members. The success of the cooperative also depends on the participation and involvement of the members in the running of the cooperative. The involvement of members at this stage of the process of setting up the cooperative is expected in at least four areas:

- In the area of cooperative values and principles. Members must adhere to the cooperative values which are self-help, self-responsibility, democracy, equality, equity and solidarity;
- In the area of financial involvement. Each member must contribute financially to the cooperative, at least by buying shares;
- In the area of time given over to the cooperative. As soon as the core group is formed it is right to ask members about their availability and the time they will be able to dedicate to the cooperative;
- In the area of work to be done to prepare the documentation for the cooperative (internal rules and regulations, organizational chart). The members have to be aware that the development process of a cooperative takes time and needs sustained effort from everyone.

Moreover, it is not enough to bring together a motivated group of people who want to form a cooperative; they also need to have the right skills. Like any business, a cooperative requires very precise qualities and knowledge. There are four kinds:

- Technical, necessary to produce the goods or services of the cooperative;
- Marketing, for everything to do with selling products;
- Management, for the running of the cooperative;
- Governance, concerning the administration and leadership of the cooperative.

Discussion groups can lead to identifying the skills of each member and so identify the areas where training will be needed. Members' skills can be presented as in the following table:

Figure 5: Representation and identification of members' skills

| | Technical | Marketing | Management | Governance |
|----------|-----------|-----------|------------|------------|
| Member A | | | | |
| Member B | | | | |
| Member C | | | | |
| Member D | | | | |

Having established the list of skills needed (technical, marketing, management, etc.) and written them in this table, all members have then only to self-evaluate each skill and put in each box a mark between for example 1 (a mark corresponding to a very weak level) and 5 (a mark corresponding to perfect mastery of the discipline).

Once the deficiencies of the group have been identified, training sessions will be needed to improve members' knowledge in predetermined areas. As the fifth cooperative principle reminds us, education and training of members are two components indispensable to the viability of any cooperative.

Vision, values and objective

Once the core group has been formed, it remains for the members to agree on the object of the cooperative, in other words the cooperative's goal. A series of workshops with all the members could help them to determine for a start the vision of the group. This vision expresses the perception the members have of the future.

Example: The vision of an agricultural cooperative will perhaps be to supply the community it belongs to with foodstuffs that are not genetically modified.

Through these workshops, members will have to determine the values of the cooperative, those that the members will wish to defend through their enterprise. As we recalled before, cooperative principles are based among others on values of democracy, solidarity and equity. The values of the group will have to be more precise.

Example: The values of a consumer cooperative will be to offer good quality food products.

Finally the members will determine clearly the objective of the cooperative, the goal which the members hope to reach by creating the cooperative. Contrary to the vision, the objective of the cooperative must be as concrete and practical as possible. It is advisable when formulating the objectives to

bear in mind that they are meant to be concrete, measurable, specific and attainable. Two or three sentences are usually enough to define them. From these objectives will flow the activities of the cooperative. If there are several objectives, the members will have to put them in order of priority.

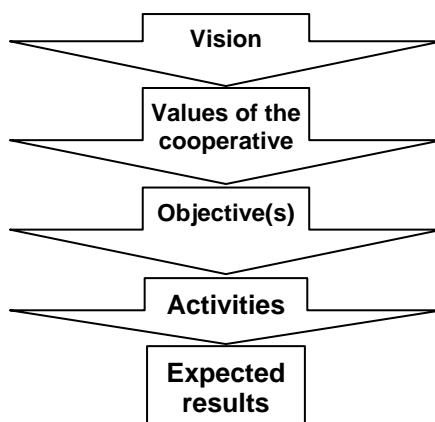
Example: A credit union will have the objective of supplying its members with loans and services linked to collecting savings.

Here are examples of questions that can help members determine the vision, values and objectives of their cooperative.

- Why have we come together?
- What are our needs?
- To whom do we anticipate selling our products?
- What is the added value of our products?
- Will the community benefit from the services or products offered by our cooperative?

The diagram below illustrates the relationship between the different elements mentioned earlier, starting with the vision and going right down to the result expected by the cooperators.

Figure 6 Diagram of the relationship Vision - Expected Results



Once the members of the group have agreed on a common vision and on the values advocated by their cooperative, they must then define its objectives. Once these are determined, the group has to draw up the list of operations to

be carried out to reach the set objectives. Eventually all this will lead to the outcome hoped for by the members of the cooperative.

Step no.2: Carrying out a feasibility study

Before carrying out any project, it is recommended that you evaluate in advance the chances of success through a feasibility study. In the case of a cooperative, it is a question of seeing if the cooperative has any chance of being viable. This study is carried out either by a few members of the cooperative if they have the necessary skills and time, or by an outside person taken on by the cooperative.

The feasibility study is broken down into six parts:

- An environmental study aimed at a better understanding of the socio-cultural scope of the cooperative;
- A market study for an evaluation of the market shares held by the competition operating in the area and working out how much will possibly come to the cooperative;
- A technical study for the physical requirements of the project: buildings, machinery, tools, etc. ;
- A study of the organizational structure specifying the technical arrangements required for the project;
- A legal study to justify the choice of the cooperative format as a legal format;
- A financial study for the evaluation of the total expenses and products of the cooperative and its foreseen results.

If the feasibility study proves inconclusive, the core group will have to steer itself towards another project.

If the study is conclusive, the group will pass on to the next step.

Step no.3: Drawing up a business plan

Drawing up the business plan is a logical follow-up to the feasibility study. Indeed, the business plan is a planning tool to describe the future direction of a business. It is very useful for possible requests for loans or funding. A good business plan allows investors and lenders to evaluate the funding proposals of the group and its ability to run the cooperative.

It also helps to reveal the activities of the cooperative which will need more sustained effort.

If well thought out, the business plan:

- states the objectives of the cooperative;
- identifies the monetary and human resources necessary to run it;

- describes how these resources will be obtained;
- explains why this enterprise will be successful.

The composition of the business plan largely depends on who will read it and its intended use. If the business plan is used to apply for external funding, it will be much more detailed than if it is to be used to recruit new members. The business plan must nevertheless be kept simple and as clear as possible.

There is no standard form of business plan but usually it comprises the following sections:

First page

It contains the name of the cooperative, its official address, information on possible contacts (phone, fax number etc.), the date the business plan was produced, an estimated starting date and the names of the founder members.

Table of contents

It presents all the items contained in the business plan and where they can be found in the document by page number.

Summary

As its name indicates, it allows the reader to have a brief glimpse of the cooperative, its expected activities and results. Moreover, it describes the products and services the cooperative can provide, its markets, an estimate of sales and expenses for the first year, the business start date and, if need be, the amount of funding sought.

Background to the project

This is about introducing what the cooperative will do, who has been involved in its conception and who is involved now.

Legal aspects

This section is aimed at giving information on the chosen legal format: in this case a cooperative enterprise. Members must give here the reasons justifying the choice of this legal format: the cooperative advantage compared to other legal formats.

Description of the product or service

This section describes how the product will be made or, in the case of a service, how it will be provided.

Market study

Here again, in line with the feasibility study, the market study will carry out the following points:

- a description of the planned market;

- the behaviour pattern of buyers in the marketplace;
- the way in which market research results have been obtained.

Technical study

In line with the feasibility study, the technical study shows:

- the geographical situation of the cooperative, in other words its location along with reasons to justify this choice;
- after taking an inventory of equipment and personnel, the study presents what is needed in these two areas.

Marketing strategy

It explains the needs of consumers, how the product or service will be sold, at what price, plus information on the way it will be distributed and promoted.

Operational plan

This part shows how the cooperative will be led and managed, how the product or the service will be produced, where the cooperative will get supplies, if insurance or a permit is necessary. The plan must also indicate the responsibilities of everyone within the cooperative.

Structure of the cooperative

This is where the different constituent bodies of the cooperative are shown, along with a flowchart of its activities.

Risk management plan

This section aims to introduce the risks incurred and possible ways of minimising these risks.

Funding plan and financial projection

This is the crucial section of the business plan. It has to show all the costs and expenses connected with starting up the business.

The funding plan has to contain:

- a forecast of the cooperative's profits (surplus) for the first years;
- an indication of the different costs of the cooperative;
- an evaluation of the funding needs of the cooperative;
- information on the way the cooperative is to be financed.

Financial proposals

This section presents, among other things, proposals as to sources of funding for the cooperative (loans, grants) and a plan for securing and repaying loans.

Step no.4: Organizing the inaugural general meeting

After working out the rules and internal administration of the cooperative, members must hold the inaugural general meeting, bringing together the entire membership of the cooperative. It is this meeting which is responsible for the adoption of the cooperative's rules and regulations as well as the business plan. As we saw earlier, the general meeting elects the members of the board.

Step no.5: Applying for registration and/or consent for the cooperative

Registration

Registering the cooperative with the appropriate administrative authorities allows it to be given the status of a moral person. A moral person is a group of individuals which the law recognizes as a legal entity distinct from its members. To explain, by obtaining moral person status for their cooperative, the members are making a distinction between the activities and property associated with the cooperative and their personal belongings. So if the cooperative enters into a loan contract and the loan is not repaid, the personal property of members cannot be threatened, unless members have clearly specified this in the loan contract.

Following registration, the cooperative becomes a "person" in the eyes of the law, with the rights and responsibilities that it implies and can then carry the name "cooperative". The date of registration corresponds to the date of official recognition of the cooperative.

The request for registration must contain certain basic information about the cooperative:

- the cooperative's trade name

This is the name given to the cooperative. Members are asked to name their cooperative. Usually the law demands that the trade name includes one of the following terms: "cooperative", "coop", "co-operative", "coopérative".

- the cooperative's objective

In this section members have to explain in a few lines the cooperative's objective. A craft workers' cooperative for example will have as its objective to provide a distribution network for the sale of its members' products.

- Details of the cooperative's funding

This section gives information on the maximum number of shares a member can hold and to what extent the cooperative can receive investment money.

- Restrictions

Members will indicate any possible restrictions affecting the distribution of power and/or activities of the cooperative.

- Internal administration of the cooperative

Members must formulate the cooperative's policies, otherwise known as its operating rules. This generally concerns questions on the object of the cooperative, ways of expelling a member, the administration of the cooperative, the composition of its general meeting, the resources of the cooperative and their source, methods of control, modification of internal regulations and dissolution.

- The names of the cooperative's directors

A provisional board of directors must be set up while waiting for the inaugural general meeting to be held. Consequently members will have the task of appointing directors for a specific term of office. A director must be a member of the cooperative.

Directors are responsible for the following functions: managing the cooperative; exercising the powers of the cooperative through its employees and managers; setting up committees as required; respecting the rules and laws governing cooperatives and the policies of the cooperative.

Once registration has taken place, the cooperative receives its legal personality and begins its official existence. It can then carry out any activity that doesn't need approval, such as, for example, collecting products from members to sell locally; as against collecting products for export which often requires approval from the appropriate authorities.

Some cooperatives may choose not to apply for registration and carry on their business illegally.

- Approval

Approval is authorisation given by the appropriate administrative authority to carry on certain activities regulated by law (exportation of products, health activities, etc.). This approval is useful in more ways than one as, in many cases, the granting of approval also brings with it the granting of financial assistance.

A request for approval must usually be accompanied by the following items:

- A copy of the rules of the cooperative;
- A certificate confirming the registration of the cooperative;
- The amount of share capital and its spread among the different members;
- A document giving detailed information about the project and focusing on the organization and running of the cooperative society as well as the human, material and financial resources secured to ensure its success.

For example, in order to obtain approval as a public utility cooperative, the cooperative must also justify the socially useful nature of the goods and services it proposes to produce or supply. To appreciate the socially useful nature of the project, consideration is above all given to the contribution it makes to emergent or unsatisfied needs, to the social and occupational integration of members and employees and to the accessibility of the goods and services produced or supplied by the cooperative.

Approval for the cooperative can be withdrawn if it is proved that it is not meeting the objectives for which it was set up.

Step no.6: Getting the cooperative started

At this stage of setting up the cooperative, all that remains is for members to select and recruit workers, organize a programme of job training for them and finally start up the cooperative's activities.

**Key points from the chapter
“Setting up a cooperative”**

Setting up a cooperative requires the completion of six steps:

1. Bringing together a core group to discuss the possibility of forming a cooperative and its objectives;
2. Carrying out a feasibility study to evaluate the project's chances of success;
3. Working out a business plan to outline the future direction of the cooperative (the business plan is a precious tool for any loan application);
4. Holding the inaugural general meeting to adopt the cooperative's rules and internal policies;
5. Registration with the appropriate authorities with a view mainly to obtain moral person status, and possibly approval for starting a particular type of activity;
6. The actual start-up of the cooperative's activities.

Cooperative education, training and information **8**

One of the main obstacles to the development of cooperatives is the lack of awareness, even ignorance, of the general public and sometimes even of members as to the principles, methods and objectives of the cooperative way of operating, in a word of the cooperative advantage. Therefore education, training and information are indispensable tools for the cooperative movement.

Cooperative education and training

A cooperative is a special enterprise for at least two reasons: its democratically controlled management and the active participation of its members. These two characteristic features of a cooperative mean that the involvement of members impacts on the success of the cooperative and consequently of the cooperative movement. It is therefore essential that members are fully aware of the cooperative advantage, where it comes from and its consequences so that they understand their enterprise better and can thus be in control of its operations.

Cooperative education can be defined as a set of practices and means used to make members aware of the cooperative principles and advantage. It seems trivial or even unnecessary but, in many cooperatives, members are unaware of the sense and spirit contained in the word “cooperative”. In many developing countries, cooperatives were instruments of the State whose aim was to control a targeted population. Therefore in certain regions cooperative culture is still non-existent.

Aside from this historical fact, some members of cooperatives have simply received no cooperative education as such and only see cooperative enterprise as another form of capitalist enterprise. So there is still work to be done.

Even for a cooperative whose members have mastered the cooperative principles perfectly, if no education or training is done, there is a serious risk that the cooperative in question will lose its original identity and even its purpose of serving its members. The fifth principle is very clear:

“Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.”

By definition cooperatives are businesses where one is free to enter and free

to leave. Consequently they are open to new members. Even if the founder members are trained in the cooperative spirit, everything leads us to believe that, in the absence of education and training initiatives for new members but also old ones, in the long run the cooperative will lose its original identity. In fact, cooperative education is to cooperative organization what strategy is to businesses. It gives a clear lead to follow while encouraging consistency in daily activities³⁹.

Whereas cooperative education concerns every member of the cooperative, cooperative training, due to its more specific nature, is directed mainly at leaders and employees. Because of the responsibilities they bear, leaders are obliged to undergo specific training on their duties in the cooperative. Whether you are talking about a director or manager, auditor, secretary or any other employee of the cooperative, all need specialist job training. They go to Training Centres for cooperative training or undertake distance learning often electronically⁴⁰.

First the cooperative has to know what members need, next it must set up an education and/or training programme. Of course all members do not have to know how to prepare a budget, but they all ought to understand how the budget and financial accounts work. They will then be in a position to intervene effectively in the decisions of the Board of Directors and General Meetings.

Universities and schools seem to be appropriate places to carry out cooperative education and training work. Initiating the younger generation into cooperative principles is the best way of making the cooperative advantage last. Indeed, in the same way that the characteristics of enterprise at work are taught in secondary and higher education, cooperatives, as a kind of complete enterprise on their own, ought to logically be part of teaching programmes.

This is the case in some universities in America (Universities of Wisconsin and North Dakota), Canada (Universities of Ottawa and Moncton), Germany (Marburg), Africa (mainly in Ethiopia) and in Benin through the Higher Panafrican Institute of Cooperative Economy.

If cooperative teaching can be a part of any training programme, it is particularly necessary for certain occupations, farmers for example, and those who come in contact with them and guide them, hence the importance of cooperative teaching within technical colleges.

39 Martina Vézina : L'éducation cooperative au sein du réseau des coopératives en milieu scolaire: un enjeu stratégique.

40 The programme of the International Labour Office, COOPNET, was going in this direction.

School and student cooperatives

School and student cooperatives are an alternative way of teaching young people about the advantages of cooperatives. A school cooperative is a little society of pupils run by themselves, with the support of teachers to prepare for common activities. They can take on different forms according to the age of the children, their interests and their local environment.

The school cooperative is a carefully structured society. It includes: a chairperson, a secretary, a treasurer, a working team called the cooperative's office bearers. All members responsible for activities are elected according to democratic majority rules. All decisions to be taken must be discussed together then put to the vote. Financial operations are detailed in a ledger held by the treasurer. They are carried out by means of a postal cheque account so that handling of cash is reduced. In fact, Student cooperatives follow the same operating rules as other types of cooperatives with the same constituent bodies, but their purpose is education.

The North American Students of Co-operation (NASCO) is an umbrella association for campus cooperatives in Canada and the United States. One of the main functions of campus cooperatives is to offer students decent accommodation at affordable prices. To that end, NASCO has bought several properties. As well as helping to ease students' accommodation problems, NASCO gives leadership training courses and acts as a development tool for new cooperative members. To train staff and members, NASCO's cooperative training and education Institute offers each year a two day training programme with technical programmes and discussion forums. In addition, NASCO publishes a newsletter called *Co-op Voices* which informs readers about the cooperative's activities. This newsletter is an important communication tool for and between members.

Campus cooperatives helps improve the knowledge the university world has on cooperative principles. Campus cooperatives highly value the participation of members and offer services such as health food, textbooks, dry cleaning and bicycle repairs.

Experience shows that children between 7 and 18 are perfectly capable of running a cooperative: choosing those amongst them who are best able to represent their society and lead it, defining tasks and overseeing their completion, calculating and managing a budget, etc.

A school cooperative is an effective way of giving pupils their first experience of democracy, by familiarizing them with the cooperative way. This type of cooperative is meaningful only insofar as it inspires a sense of responsibility and of solidarity, by daily action, by direct involvement, by

work needed, carried out and successfully concluded in partnership with others⁴¹. The goal of school cooperatives is above all to educate pupils (by teaching cooperative entrepreneurial practice and taking on real responsibilities according to their age) in their future role as citizens.

In contrast to what happened in the past, school cooperatives must in no circumstances be used to replace the obligations of the school. It is therefore not their duty to make any contribution either to works to be carried out or to funding for statutory activities. On the other hand it is their duty to provide for the needs of their member-pupils. They can, for example, acquire a photocopier, textbooks or school equipment for the benefit of their pupil-members. Their principal objective remains to serve their members exclusively.

Information on cooperatives

The general public is not well enough informed on the role of cooperatives.

Consequently work has to be done to inform the public at large on cooperative enterprise and its characteristics.

Different methods can be used. Audio-visual methods can prove very effective in attracting public interest. Indeed, radio broadcasts in local languages are very useful in the area of cooperative information, especially in regions with a high proportion of illiterate people. Films on cooperation sometimes in the form of documentaries are likewise used for information on cooperatives.

Besides television and radio, the popular press is one of the channels that can directly inform the public about cooperative enterprise. There already exist several journals on the subject of cooperatives which are widely available on the internet.

The internet is obviously one means of communication and information which the cooperative movement must exploit. It already helps cooperatives to keep up to date with best practice in the cooperative sector.

In addition, holding seminars or discussion groups can be another way of informing the public about the cooperative advantage.

Workers' organizations have a "moral" duty, by the powers granted to them, to inform their members about any form of organization likely to improve their living and working conditions, such as a cooperative.

⁴¹ Jean de Saint-Aubert : Principes et réalité de la coopération scolaire.

Key points from the chapter
“Cooperative education, training and information”

- The democratic control of the management of a cooperative and the active participation of members are two characteristics which explain why the involvement of members is so important to the success of the cooperative.
- Cooperative education stands for a set of practices and methods used to teach the cooperative principles and advantage to members of the cooperative.
- Cooperative education of members is fundamental to encouraging their active participation in the cooperative.
- The leaders and staff of a cooperative (director, manager, accountant, employees, etc.), by virtue of their responsibilities, must have training specific to their duties within the cooperative.
- It is necessary to carry out information and training for the general public on the cooperative form of organization and its characteristics mainly by introducing courses on cooperatives at school, university and vocational training levels.
- School cooperatives are a good way of increasing young people’s awareness of the cooperative way.

Part III

The promotion of cooperatives

Workers' organizations and the promotion of cooperatives

9

Although the cooperative and union movements had different historical backgrounds, a few similarities as to their objectives remain. It is therefore not surprising to find reasons for a possible collaboration that is in fact already taking shape.

Common origin of the two movements

Cooperatives and the organization of workers have as their common source the Industrial Revolution at the start of the XIXth century, mainly in Europe and the United States. At the time it was a question of freeing themselves from the pressures inflicted by the industrial Revolution, by improving the economic, social and cultural situation of the members of both movements.

Even though they have a common origin, the evolution of the two movements is sometimes divergent, sometimes complementary, depending on whether you are in an industrialized country on the one hand or a developing country on the other. The first Rochdale cooperative was formed by workers, the 28 well-known textile workers.

In industrialized countries, unions and cooperatives in the early days worked together with a view to improving their members living conditions. Then later the two movements gradually moved apart, refocusing their activities. Cooperatives were targeted towards the most disadvantaged sections of the population whilst unions progressively abandoned the cooperative movement.

By contrast, in developing countries, where cooperatives enjoyed considerable support from government authorities which were sometimes even responsible for setting them up, unions were reprimanded for their aggressiveness or else integrated into one-party systems at the mercy of public powers. Moreover, and in contrast to the situation prevailing in industrialized countries, while the unions mainly tended to concentrate their activities in urban areas to protect workers employed in industry and utilities (which constitutes a minority of workers), cooperatives were more active in rural areas.

Common interests

Cooperatives and workers' organizations are linked by a common final objective, that of improving the socio-economic situation of the working

population. The two movements set themselves the objective of combating poverty, ignorance, lack of opportunity and unfair distribution of economic resources⁴². Of course, the means used are not the same. Unions use the weapon of collective bargaining, whereas cooperatives use their form of democratic, participative enterprise as their main weapon. But their complementary nature is real enough. It originates from the common ills suffered by some workers and the poor in every part of the world.

Workers' concerns in a difficult environment

As was pointed out by the Director General of the International Labour Office when he presented his report at the International Labour Conference in 1999, the most wide-spread need, an aspiration for everyone - individuals, families, groups - is obtaining decent work for women and men worldwide. By decent work he means productive work combining protection of rights, enough pay and appropriate social protection. Unfortunately few workers can pride themselves on having such work. The increase in poverty, the weight of the informal economy, the lack of social protection are so many obstacles preventing a large proportion of workers the world over from enjoying a decent job.

The growth of poverty

All the reports about development agree that, except in the case of some Asian countries, world poverty keeps on growing. Today there are more than a billion people living on less than a dollar a day⁴³. Sub-saharan Africa alone is home to 300 million poor; as for South Asia, it has 520 million poor people.

To a large extent these poor people are workers whose pay is not high enough to afford them adequate living conditions. On this subject, the International Labour Organization (ILO) estimates at 530 million the number of "poor workers" who have to provide income for the 1.2 billion people living under their roofs.

In addition, the ILO estimates at 360 million the number of workers in underemployment⁴⁴.

Of course, decent work and poverty are inextricably linked; the absence of a decent job makes individuals more vulnerable and liable to fall into a state of poverty.

42 International Confederation of Free Trade Unions, A speech by Eddy Laurijssen at the General Assembly of the International Co-operative Alliance (1997).

43 World Bank : World Development Report 2000/2001.

44 ILO: A Global Agenda for Employment, Discussion Paper (Geneva, 2001).

The informal economy and its consequences for workers

The expression “informal economy” is generally used to describe activities that are neither recognised, registered, protected, nor regulated by the powers that be⁴⁵.

In the last few years the influence of the informal economy has not stopped growing, both in industrialized countries where it is often called “the parallel economy” and in developing countries and those in transition.

The growth of the informal economy is engendered by the growth of poverty, the latter being one of the main causes of moving into the informal economy. The reason is very simple. Individuals who find themselves in extreme poverty are prepared to accept any job, even if it is carried out in particularly difficult conditions. Very often many of these workers never manage to escape from poverty and are caught in the poverty trap. In fact, jobs in this sector are more often than not of poor quality, unproductive and unpaid, neither recognized nor protected by law, with an absence of workers' rights, non-existent social protection and a lack of representation and voice⁴⁶. In short, a lack of decent work. If we add the fact that most of the workers involved have not been educated to a high standard, we can then see why it is very difficult for an individual working in the informal economy to move into the so-called formal economy.

The table below gives an insight into the size of the informal economy in some countries. It shows that there are important differences between countries in the percentage of formal employment compared with total employment. This varies from 5 to more than 70 per cent. Among the different regions, it is the countries of West and East Africa, South Asia and the Andean region which generally present the greatest proportion of work in the informal economy compared with total employment levels.

45 ILO: Employment, incomes and equality: A strategy for increasing productive employment in Kenya (Geneva, 1972).

46 ILO: Decent Work and the Informal Economy, A report presented at the International Labour Conference Geneva, 2002).

Figure 7: Persons employed in the informal sector¹ (selected countries)

| Country | Year | Number (000's) | | | Women per 100 men | % of total employment | | |
|--|------|----------------|----------|----------|-------------------|-----------------------|------|-------|
| | | Total | Men | Women | | Total | Men | Women |
| Latin America | | | | | | | | |
| Mexico | 1999 | 9 141.6 | 5 693.8 | 3 447.7 | 61 | 31.9 | 32.7 | 30.7 |
| Barbados ² | 1998 | 6.9 | 4.2 | 2.7 | 63 | 5.9 | 6.8 | 4.9 |
| Peru ^{2,3} | 1999 | 3 606.1 | 1 897.8 | 1 708.3 | 90 | 53.8 | 48.9 | 60.6 |
| Brazil ⁴ | 1997 | 18 113.3 | 8 652.6 | 9 460.6 | 109 | 34.6 | 28.3 | 43.4 |
| Africa | | | | | | | | |
| Mali ^{3,4} | 1996 | 370.6 | 214.3 | 156.3 | 73 | 71.0 | n.a. | n.a. |
| Benin ³ | 1999 | 275.5 | 174.8 | 100.7 | 58 | 46.0 | 50.0 | 41.4 |
| Botswana ⁴ | 1996 | 60.5 | 21.1 | 39.4 | 187 | 19.3 | 12.3 | 27.6 |
| South Africa ⁴ | 1999 | 2 705.0 | 1 162.0 | 1 544.0 | 133 | 26.1 | 19.3 | 35.5 |
| Ethiopia ^{2,3} | 1999 | 1 149.5 | 485.6 | 663.9 | 137 | 50.6 | 38.9 | 64.8 |
| Kenya | 1999 | 1 881.0 | 1 090.4 | 790.6 | 73 | 36.4 | 43.9 | 29.5 |
| United Rep. of Tanzania ^{2,5} | 1995 | 345.9 | 221.0 | 124.9 | 57 | 67.0 | 59.7 | 85.3 |
| Asia | | | | | | | | |
| India | 2000 | 79 710.0 | 63 580.0 | 16 130.0 | 25 | 55.7 | 55.4 | 57.0 |
| Nepal ⁴ | 1999 | 1 657.0 | 1 052.0 | 605.0 | 58 | 73.3 | 67.4 | 86.5 |
| Philippines ^{2,6} | 1995 | 539.3 | 282.8 | 256.5 | 91 | 17.3 | 15.8 | 19.4 |
| Turkey | 2000 | 10 319.5 | 1 183.0 | 136.5 | 12 | 9.9 | 10.6 | 6.2 |
| Central and Eastern Europe | | | | | | | | |
| FYR | | | | | | | | |
| Macedonia | 1999 | 152.0 | 96.0 | 56.0 | 58 | 27.8 | n.a. | n.a. |
| Slovakia | 1999 | 450.0 | 343.5 | 106.5 | 31 | 23.0 | 30.5 | 12.9 |
| Poland ^{2,4} | 1998 | 1 166.0 | 817.0 | 349.0 | 43 | 7.5 | 9.5 | 5.0 |
| Lithuania ^{2,3} | 1997 | 93.0 | 68.3 | 24.7 | 36 | 8.5 | 11.9 | 4.8 |
| Ukraine ^{2,3,4} | 1997 | 755.9 | 345.4 | 420.5 | 122 | 4.9 | 4.5 | 5.3 |
| Georgia ⁷ | 1999 | 103.3 | 73.6 | 28.6 | 39 | 6.9 | 10.0 | 3.8 |

Notes: ¹ In the same geographic areas, branches of economic activity, age limits, etc. ² Agriculture included. ³ Urban areas. ⁴ Paid domestic workers included. ⁵ Dar-es-Salaam. ⁶ National Capital Region. ⁷ Agriculture included for urban areas. n.a.: Not available.

Source: ILO Bureau of Statistics, on the basis of official national data.

Grouping workers together in organized unions is one way of allowing workers from the informal sector to improve their working conditions through collective claims and bargaining. But in some cases, a country's laws reject union rights in the informal economy. In other countries legislation quite simply does not acknowledge people operating in the informal economy as workers and employers; or else the regulations stipulate a high, costly number of workers for the setting up of a union.

All these obstacles explain why, at the present time, millions of workers do not enjoy rights as fundamental as freedom of association or union rights and

collective bargaining. And so workers are unable to improve their working conditions.

Lack of social protection

Another problem faced by a large number of workers is the absence of adequate social protection. At present, more than half the world's population have no access to any form of social protection. In sub-Saharan Africa and in South Asia, it is estimated that only 5 to 10 per cent of the active population are covered by a legal system of social security and that in some cases this figure is even falling. In Latin America the figures are spread between 10 and 80 per cent. In South-east and East Asia, the figures vary between 10 and nearly 100 per cent. In most industrialized countries, the rate of cover is close to 100 per cent, but in a certain number of countries, especially among those in transition, the observation of their obligations in the area of social protection has declined in the last few years⁴⁷.

There again the growth of the informal economy is harmful. Indeed, social protection is non-existent within this sector, so its jobs are the most exposed to work-related risks (illness, accidents at work, etc.)

HIV/AIDS is another challenge for social protection. The epidemic has now reached all parts of the world, and sometimes in more than disquieting numbers. Adequate social security is indispensable considering the exorbitant cost of treatment⁴⁸. Information and preventative measures within the workplace are still not good enough, especially in developing countries. All these facts connected with the shortfall in social security provision contrast with the conclusions of several studies which have proved that there is a link between social security, employment and development. There would be a positive correlation between productivity and social security⁴⁹, but a great deal remains to be done in this area because, as an ILO report states: "It is inhuman anywhere to live and work in permanent insecurity threatening the material security and health of individuals or families."

This report on the deplorable state of workers of the world constitutes a huge challenge for workers' organizations. The cooperative form of organization has the necessary potential to help these organizations get back on their feet.

The cooperative answer

Throughout the world cooperatives play an increasingly important role in job creation, economic growth and social development. But as we have seen, their role and importance are in no way recent. Workers' organizations, out

47 ILO: Social security: Issues, challenges and prospects, A report submitted to the International Labour Conference (Geneva, 2001).

48 In an industrialized country like the United States, the cost of care for HIV/AIDS sufferers is US\$ 20,000 per patient per year.

49 See chapter II of the ILO report: Social security: Issues, challenges and prospects.

of their concern to improve their members' living and working conditions, were and will inevitably still be led to collaborate with cooperatives. The issue now is to find out to what extent they are doing so.

Cooperatives employ 100 million women and men and have more than 800 million members. The variety of forms they take, their presence and their financial weight in each sector of the economy are proof that even today they have the potential to respond to workers' ills worldwide.

More precisely, cooperatives responds to three key concepts associated with poverty as defined by the World Bank⁵⁰: opportunity, empowerment and finally security⁵¹.

Opportunity: in general poor people do not know about the opportunities open to them to get themselves out of poverty and its economic but also social consequences. Poverty does not only manifest itself in a lack of financial resources. Poverty also has the effect of loss of freedom of action and choice. Cooperatives, with their ability to affect all sectors of the economy, represent one way for the poor to identify these opportunities. As we have seen, cooperatives offer farmers unable to sell their products the possibility of banding together to benefit from economies of scale and thus obtain input at affordable prices and, through the group, to market their products; to the individual excluded from traditional financial systems, cooperatives give the possibility of obtaining credit on favourable terms and a safe place for his savings; to people without the financial resources to buy basic foodstuffs, cooperatives give the opportunity to obtain these same products at lower than market price thanks to bulk buying, etc.

*Empowerment*⁵²: This seemingly complex word means simply that poor people cannot take charge of their own destiny. Empowerment is the basic process of strengthening the power of the individual thus enabling him to meet his needs, to solve his own problems and get hold of the resources necessary to take control of his life. A cooperative is one of the ways in which empowerment of individuals in need is possible. Its democratic organization, based on the principle of "one member, one vote" and the active participation of its members gives everyone the chance to express their concerns. As these concerns are by definition convergent if not identical, each person, by joining the coop, gives himself the chance of meeting his own needs by actively participating in the life of the cooperative.

Security: People plunged into poverty are the most vulnerable to risks and

50 Report on World Development, World Bank (2002).

51 On this matter, see also Johnston Birchall in Rediscovering the cooperative advantage. Poverty Reduction through self-help (ILO, 2003).

52 "Empowerment" also means taking responsibility, participation, demarginalization, etc.

especially to their effects (loss of jobs and income for example), whether we mean natural risks (flood, drought, earthquake), health risks (epidemic, illness, accidents at work), social risks (domestic violence, crime) etc. The problem is that the poor often do not have the means to avoid or manage these risks. A cooperative offers the possibility of turning these individual risks into collective risk by bringing together, in a group, members who want to cover themselves against the same type of risk, at the lowest cost. In this area, insurance coops have already proved themselves, both in industrialized countries (especially Europe and Japan) and in developing countries (especially French-speaking African countries).

Consequently cooperatives have all the weapons they need to tackle the many aspects of poverty.

The cooperative and defence of workers' rights

A large and growing section of the world's workforce is in the informal economy, mainly in developing countries. Workers' organizations have a duty to be concerned about the fate of all workers whatever their job and wherever they work. The growth of the informal economy, by virtue of the characteristics mentioned before, presents one of the greatest challenges facing workers' organizations in their struggle to defend workers' rights. Even in a place with no rules governing working conditions and a shortage or absence of social protection, workers' rights have to be represented and defended.

But here and now, clarification is needed. The final objective is to defend workers' rights and not, as some would have you believe, to form trade unions⁵³.

It is up to the workers themselves and themselves alone, to determine in what way they intend making their concerns and voices heard. Unions by their very nature have unquestionably got a role to play in this initiative but they are only a means, not an end in themselves. Of course the environment created by the informal economy does not make the task easy, because:

- Workers in the informal economy do not make up a standard group: amongst them there can be obvious differences of interest;
- It could be that their interests are not the same as those of the majority of unions today. Ethnic, family and relationship ties can be stronger for them than solidarity between workers;
- Workers are sometimes so absorbed in the daily battle for survival that they do not feel like taking part in collective action, especially

53 ILO : Decent work and the informal economy, A report submitted to the International Labour Conference (Geneva, 2002).

when they do not see how such action or joining a trade union can help them solve their practical problems and meet their immediate basic needs;

- The extremely precarious nature of their work often makes them too fearful of losing their job to join a trade union;
- There are often legal obstacles to forming trade unions in the informal economy;
- It can be difficult for unions to get in touch with workers in the informal sector and to mobilize them, especially home workers and those in micro-business - organizing campaigns can be expensive and difficult, needing a lot of time and resources;
- Unions can experience difficulties keeping workers as members, given the insecurity of their jobs, and they will therefore have to see if trying to organize them constitutes an effective use of human and financial resources;
- Many trade unions do not possess adequate strategies for organizing workers from the informal economy;
- Perhaps existing unions think that to organize these workers is unjustifiable and are hostile to the changes of policy and allocation of resources needed to deal with them. For the unions, the difficulty lies in making contact with new groups without undermining their traditional support base⁵⁴.

These nine challenges to be met by trade unions can be summed up in only five points:

- the difficulty of reconciling the divergent interests of workers;
- the effects of job insecurity in the informal economy on the involvement of members;
- the difficulties of a workers' organization in terms of the necessary financial costs;
- the lack of a strategy by most trade unions for dealing with an environment unfamiliar to them; and
- the lack of interest by the main players i.e. the workers.

The cooperative form of organization is in the privileged position of being

54 ILO: Promoting gender equality: A resource kit for trade unions, booklet 4: Organizing the unorganised: Informal economy and other unprotected workers (Geneva, 2001).

able to solve these five problems. Indeed, a cooperative is a business run democratically by its members, united voluntarily to reach a common goal. In fact, by definition workers cannot have divergent interests (cf. 1).

Next, the members having united voluntarily and the cooperative demanding active participation by all, the member-workers cannot but have an interest in a business they have created and whose management they control (cf. 5). This brings us to the co-ownership of the cooperative. The member-workers are co-owners and even employees in the case of a worker coop. They all run it on their own. They are therefore masters of the destiny of their own business and the security of their jobs (cf. 2).

The democratic nature of the cooperative means that each member-worker has his say in the strategy to be adopted (cf.4). Finally, as we saw in chapter 5, a cooperative presents a range of possible ways of financing its activities: the profit made from its operations and funding by a credit union are a couple of examples (cf. 3).

Cooperatives are one way of organizing workers from the informal economy and making them “formal”. As we will see in chapter 11, it is difficult to find a country or region that does not have legislation pertaining to cooperatives and their promotion at national even international level.

Cooperatives therefore constitute a means of representation for these millions of workers. They fulfil two of the essential conditions required by all organizations wanting to defend the rights of workers:

- 1) the necessary representativeness: the General Meeting, the supreme body of the cooperative is made up of all the members;
- 2) the openness: the democratic control of management guarantees it.

Cooperatives and trade unions have complementary roles and features. Cooperatives can act as a relevant mouthpiece for trade unions, a mouthpiece that will help them carry out their operations. In the absence of easily identifiable employers, as for example in the case of home workers, it is difficult to prove that the workers are in a work situation and that they have the right, as “salaried workers”, to job protection and collective bargaining. The formal aspect of cooperatives is thus a considerable advantage for workers' organizations, namely trade unions. The strategies of trade unions, based on their expertise in the field of formal work, must be adapted to the new context of the informal economy. Cooperatives, by virtue of the close relationship they have with this sector, are in a position to help them.

The twofold employee-owner status of members of some cooperatives like producer cooperative societies means that as these members have a better awareness of the risks to be covered they are in a better position to propose appropriate services.

The confirmed potential of cooperatives for job creation and social security is an incontestable indication that cooperatives also provide a valuable and not insignificant service for the “formal” economy and its workers.

Furthermore, and from the same viewpoint, trade unions and cooperatives have complementary roles:

Credit unions have already shown themselves to have an ability to generate considerable levels of savings. These savings could be a not inconsiderable source of finance for trade union members;

Thanks to cooperative activities trade unions can acquire greater stability and more continuity in their life and thus increase the loyalty of their members. It is in fact recognized that many workers join unions with a view to solving a particular problem but, once the problem has been dealt with, they often lose interest in the organization;

By creating cooperatives, unions become entrepreneurs and so learn about economics which increases their bargaining power.

Conversion and buyout of a business are two interesting aspects of cooperative action carried out by workers' organizations. Handing the business over to the wage earners in the form of worker coops of production (in French: SCOP, or société ouvrière de production) allows the directors of a business to introduce their staff into a new, really participative structure, thus ensuring the sustainability of the company. For many directors in fact, conversion is not always easy, either because there are no direct successors or because the latter have no desire or opportunity to pursue the work performed by the directors. Conversion of the business into a producer cooperative can answer these worries and pass on to the workers the business to whose success they themselves have contributed.

Founded in 1946, the company “Bourgeois” made its name with its widely admired ovens, which gave it an image of quality and reliability. Following the loss of its founder, the company passed into the hands of the group “Valeo”, which then experienced a difficult period leading to voluntary liquidation in 1981.

The staff, aware of the quality of the material they produced, decided to buy the company back. That was the birth of Bourgeois producer cooperative, which for 15 years has overseen both technical and commercial growth and whose wage earners now number 194, of whom 169 are members.

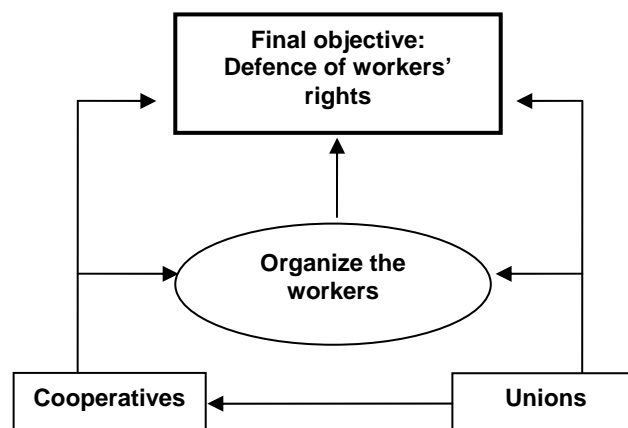
In 1986 it went into partnership with the American group Hobart, the world leader in kitchen equipment for the restaurant trade, which strengthened its position in the internationalization of the marketplace.

Today Bourgeois is the top French manufacturer of ovens and it had, in 1995, a turnover of more than 22 million dollars.

Likewise, employee buyouts of bankrupt public or private companies are another option. In the United Kingdom⁵⁵, the Welsh Trade Union Congress instituted in 1983 the Welsh Cooperative Centre to help the unemployed start up in business. The KASUCO Workers' Agricultural Cooperative Inc. (KWACI), established in the Philippines in 1991 by the beneficiaries of a programme of agrarian reform, is the fruit of an employee buyout of the sugar company with help from the national trade union congress of the Philippine sugar industry (NACUSIP).

Workers' organizations can inform, educate, help and train members wishing to form cooperatives. They can negotiate with employers' organizations for the direct debit of union subscriptions intended for financing credit unions; and also help workers in the informal sector to form and develop their own cooperatives with the aim of improving their working conditions and increasing their income⁵⁶.

Figure 8: Relationship Unions-Cooperatives



The graphic above summarizes the points we are making. If the workers present a high enough level of organization, which is usually the case in the so-called formal economy, the unions are then in a position to defend workers' rights in a direct way. But collaborating with cooperatives could prove beneficial and productive in many ways, as we have seen. On the other hand, in cases where workers do not present a high enough level of organization, or perhaps are not organized at all as in the informal economy, there is no reliable mouthpiece for the trade unions. Cooperatives constitute a

55 W. Watson: Involvement of trade unions in the United Kingdom, Review of international cooperation, vol. no.1/1997 (Geneva, ICA, 1997).

56 ILO: The promotion of cooperatives, Report V(1) presented at the International Labour Conference (Geneva, 2001).

partner and a form of organization for workers which might well help the unions reach their goal of defending the rights of their members. It is worth noting that cooperatives have the same objective and that they are in a position to reach it independently from the role or the existence of trade unions. But collaboration between the two organizations is more than desirable.

The cooperative formula, thanks to the way it has been adapted to a relatively wide range of activities, can help workers' organizations to combine constructive proposals with protest campaigns without in any way compromising their principal vocation.

As a matter of fact, trade union-cooperative collaboration already exists. In Singapore for example, the national trade union congress (NTUC) supported the creation of an important network of cooperatives: a fair price consumer cooperative, a guaranteed income cooperative, a health insurance cooperative and a crèche cooperative. The objectives of these cooperatives are : to help stabilize the price of essential goods and services; to strengthen and protect workers' purchasing power and lastly to help union leaders gain experience of management and to understand the problems encountered by management, thus helping to promote better labour-management relations. In Kenya, unions helped set up the national group of housing cooperatives. In the Philippines, the LEAD-CO-TUCP was created with the support of the Philippine trade union congress (TUCP) to improve the lives of poor families in the community of Dagat-dagatan by helping members get supplies of drinking water, to secure decent accommodation, etc. The ILO's SYNDICOOP project, of which more is explained in chapter 12, is another illustration of a union-coop partnership. The aim of the project is to improve the working and living conditions of the unprotected workers of the informal economy in some African countries, pre-selected through pilot projects aimed at creating decent jobs and income.

As the Secretary General of the African Regional Organization of the International Confederation of Free Trade Unions stated:

*“For hundreds of millions of unemployed workers, especially in the rural sector, the possibility of setting up cooperatives and any other form of mutual help association is one of the ways by which freedom of association can help eradicate poverty. For women and other social strata oppressed by society the right to form organizations to promote and defend their interests can help to make all the difference”*⁵⁷

57 A. Kailembo, Trade Unions and poverty alleviation: towards a comprehensive strategy, background paper for a high-level symposium on the role of unions in the relief of poverty in Africa (Nairobi, 2001).

The National Trade Union Congress of Singapore and Cooperatives

The ties that unite Singapore's unions and cooperatives are far from recent. Set up in 1970, the first cooperative supported by the National Trade Union Congress (NTUC) of Singapore was an insurance cooperative. It was then that eight unions, a credit union and members of the Central Committee of NTUC clubbed together to collect a million dollars to create the insurance cooperative. At that time, with Singapore having just achieved independence, it did not have a very well-developed social security system and the death of a worker, especially if it was the sole source of income, almost inevitably led to the impoverishment of the family. So the NTUC insurance cooperative brought life insurance policies at low premiums within the reach of low-income workers. But the insurance coop very quickly enjoyed a very wide range of products: domestic insurance policies, mortgage services, savings and investment plans, special insurance contracts for businesses, etc. In addition, the cooperative pays back 98% of its surplus to its customers in the form of bonuses.

The NTUC did not only support the creation of one cooperative but that of a whole network of cooperatives whose objectives are as follows:

- To help stabilize the price of essential goods and services;
- To strengthen and protect the purchasing power of workers;
- To enable union leaders to gain experience in the field of management and help them understand the problems encountered by managers, so helping them promote better working relations.

Among the great variety of coops set up with the support of the NTUC, there are:

- A consumer cooperative called "Fair Price". It was set up following price rises after the oil crises of the 1970s. Its purpose was to stabilize living costs in Singapore through commercial operations and retail trade. Its results more than speak for themselves. In 2001, the "Fair Price" cooperative had the overall lowest price for its basket of essential goods. In the basket of 200 items, 59% had lower prices than those of its main competitors, while 30% had similar prices. Only 11% of products were more expensive. For the last 15 months, starting with this basket of 200 items, Fair Price has helped consumers save 3.6 million dollars;
- Crèche cooperatives whose purpose is to provide quality care at affordable prices to the children of working parents. NTUC currently runs 38 centres catering for nearly 4,000 children and trains about 1,000 teachers each year of which 90% are employed by other crèches;

- A health cooperative to answer the growing needs of the population following a rise in the cost of medical care. This coop is the only organization to provide basic medical services in three branches: pharmacy, general medicine and dental;
- Cooperatives for care of the elderly aimed at providing quality services and equipment at affordable prices for old people. These coops operate as day-care centres enabling the elderly to take part in activities that keep them physically, socially and mentally healthy;
- A housing cooperative set up to help Singaporeans meet their aspirations of owning their own home or apartment, by selling them quality homes at a fair and equitable price. That is how it happened that co-ownership blocks of flats were built to meet the needs of workers with an average income. In September 2002, the NTUC housing cooperative launched the construction of blocks of 391 co-ownership units with an average price of \$368 per square foot. As with its previous projects, the cooperative reserved 10% of the units for its union leaders and 5% for its leaders at base. To date 70% of these units have been reserved;
- A credit union whose objective is to encourage savings and loans among its members and provide them with an affordable source of finance. On average, union members are charged 10 to 20% less than the rates levied by other bodies.

All these cooperatives are guided by the same principles, namely:

1. A cooperative must be able to compete fully with other private companies and cannot expect special treatment from Government.
2. The trade union movement should engage in the cooperative form of organization in areas where it has an inherent natural advantage.
3. Cooperatives must have a high level of integrity.
4. Cooperatives must practise effective management.

Trade Union-Cooperative collaboration, the example of Indian workers

Tired of suffering the damaging effects of the informal economy (job insecurity, poor working conditions, absence of social protection...) some women from the state of Gujarat in India set up in 1972 the Self Employed Women's Association (SEWA). This female trade union had as its initial goal to represent self-employed vegetable sellers, home dressmakers or rag pickers and to organize them. Since then many diverse roles have been added

to that of representing the union organization: banking operations, a marketing cooperative, service provision, education and militant action in favour of changing official policies. SEWA currently has more than 220,000 self-employed women members.

At the time SEWA was set up, the women it represented were desperately poor (despite 18-hour working days), mainly because they were more likely to be exploited and were not protected either by a right to social security or legislation for a minimum wage. The union mainly organized its members into local cooperatives. The results were more than conclusive. In rural areas, seasonal migration due to endemic unemployment which can be rife depending on the monsoon has been considerably reduced. In urban areas, the size of the union made negotiating with financial representatives easier. In addition, because they were female, the members could not meet their financial needs by way of loans from commercial banks. Some women even had to borrow from money lenders at annual interest rates which could sometimes reach 3,000%. The solution came in the shape of the cooperative formula. A cooperative bank was set up. In 1999 the SEWA bank held 125,000 savings accounts and had granted 30,000 loans which often helped the borrowers to increase their productivity and their income.

Development chart of the SEWA Cooperative Bank for years 1999-2003

| | 1999-2000 | 2000-2001 | 2001-02 | 2002-03 |
|---|-----------|-----------|------------|------------|
| No of members | 25 011 | 25 464 | 26 793 | 29 595 |
| Shares* | 241 600 | 244 867 | 261 711 | 330 488 |
| No of accounts | 139 611 | 119 583 | 172 010 | 202 706 |
| Total deposits* | 4 688 244 | 5 958 266 | 10 319 800 | 13 865 067 |
| No of loans and advance accounts | 33 709 | 39 284 | 44 187 | 50 849 |
| Loans and advances* | 2 012 755 | 1 993 911 | 2 372 200 | 2 968 556 |
| Profits * | 53 822 | 40 489 | 79 333 | 115 022 |

Source : SEWA Bank, Annual report (* in dollars)

SEWA also became a marketing cooperative after its union succeeded in asserting women's rights with traders who were exploiting embroideresses. Following the union action led by SEWA members, the traders refused to have anything to do with the women involved. A marketing cooperative was set up to help female Indian workers put their products on the market. The strategy applied by these Indian workers was also adopted by a union organization in South Africa, the Self Employed Women's Union (SEWU), and in Turkey.

SEWA is concrete proof that joint trade union-cooperative action can enable male and female workers to improve their socio-economic conditions. An example to follow...

Key points from the chapter

“Workers’ organizations and the promotion of cooperatives”

- The cooperative and trade union movements both originate in the Industrial Revolution of the XVIIIth century.
- Cooperatives and workers’ organizations share the common purpose of improving the socio-economic situation of the working population by bringing democracy into their lives.
- To reach this objective, unions use the weapon of collective bargaining, whereas cooperatives use a form of organization based on principles of democracy and participation.
- The cooperative form of organization finds the answer to the three key concepts associated with poverty: opportunity, sense of responsibility or autonomy and finally security.
- Cooperatives can help unions in their task of defending their members’ interests especially in the informal economy where cooperatives can be seen as one way of organizing and representing workers with jobs in that economy.
- The potential for cooperatives to create jobs is a considerable asset for trade unions; not having as their “mission” the task of dealing with the unemployed, cooperatives, by helping those without jobs to enter the world of work, constitute a bridge between their unemployed status and their membership of a trade union.
- The diversity of cooperatives enables them to play a significant role in anti-poverty campaigns as well as in initiatives aimed at developing financial and social protection systems.
- The facts show that trade union-cooperative collaboration exists: there are many examples to be found of unions which are behind the setting up of cooperatives to meet their members’ needs.

Since the beginning of the 1980s, particularly in developing and transitional countries, we have witnessed a redefinition of the role of the State. The latter is no longer as dominant and visible in economic and social life but prefers to withdraw from certain activities, often under external pressures (e.g. programmes of structural change). It is therefore up to the private sector to fill the void so created and take on the provision of certain functions hitherto the responsibility of the State.

Cooperatives felt the effects of this State withdrawal and so came once again to the fore. However, it sometimes happens that they find it difficult to seize the opportunities and possibilities that present themselves. It remains the duty of the State to create a favourable environment for their development.

Recognition of the cooperative institution

Public authorities cannot encourage the development of cooperatives without first recognizing the cooperative institution as such. This recognition is achieved by drawing up legislation adapted to the specific needs of cooperatives. Unfortunately, the individual and distinctive nature of this form of organization is not always taken into account in national legislatures.

Two tendencies can be seen, depending on the country: on the one hand, countries in which cooperatives are not a specific form of organization, although they have their own legislation (France and Belgium); on the other hand, countries with a strong cooperative identity which have given their cooperatives a specific structure and their own laws and whose principles sometimes have constitutional value (Portugal, Spain and Italy).

The specific nature of the cooperative institution also has an impact on tax laws. Cooperatives do not make profits as such. Surpluses are allocated to the development of a cooperative, to members dividends in proportion to their transactions with it and to support other activities approved by members. It is therefore difficult to make them pay income tax. In practice, the profits of a cooperative are usually taxed only when they come into the possession of members or if they are put into a reserve as the collective wealth of the cooperative. Taxation can be a considerable burden for cooperatives. This is a fact often recognized by the authorities.

Cooperatives, whose purpose is to promote the interests of their members, can be seen as serving the general interest and so enjoy tax benefits. In no way are the authorities asked to favour cooperatives over other forms of enterprise but only to take account of their special features in order to let

them enjoy equal and equitable treatment.

The State and cooperative promotion

The relatively wide sphere of activity of cooperatives (providers of financial services, social protection, food...etc.) lets us suppose that cooperatives are of public interest, especially when we bear in mind the seventh cooperative principle on the involvement of cooperatives in their communities. Therefore it seems logical to expect the authorities to encourage the development of cooperatives and acknowledge them as being beneficial to the general public, as stipulated in Recommendation no.193. Cooperatives are a recognized way of reducing unemployment thanks to the jobs created in each of their operations.

Although the State is expected to encourage cooperative development, it is also essential for it not to interfere totally in the management of cooperatives. Any incentives by the authorities must be temporary and transitory out of a clear concern for independence.

Nevertheless the State can be asked to provide some technical services aimed particularly at facilitating the creation of cooperatives. In some countries public authorities have within them working departments dealing exclusively with cooperatives (as is the case especially in Canada). These departments often have the job of broadcasting the principles and rules governing cooperatives, helping to set up and organize cooperatives, even helping to run and manage them by bringing to them opinion, advice and the necessary control.

Representation of cooperatives within the state system is an important issue. Given the variety of activities assumed by the cooperative movement, it would be better for there to be, within the public services, a unit specially designed to promote the interests of cooperatives. As a matter of fact such a unit has been set up within the European Commission⁵⁸. This would also facilitate coordination between the different departments.

Public authorities are also duty bound to take action in the field of education and training (see chapter eight). Both in developing and industrialized countries we are witnessing failings in the area of cooperative teaching. With a few exceptions (Canada, the United States, Germany and Benin are examples), cooperatives are not sufficiently, if at all, incorporated into general, technical and higher education programmes. This is detrimental in the sense that it does not allow certain individuals to enjoy the benefits of the added value of cooperatives, even though they need them.

⁵⁸ The European Commission has in fact created a special directorate, DGXXIII, whose purpose is to promote the interests of enterprises of the "social economy": cooperatives, associations and mutual societies.

Teaching and training systems should provide more information on a type of business that is in a position to play a dynamic role in the lives of local communities, in the creation of national wealth and in international stability⁵⁹.

Cooperative legislation

Legislation, and through it the law, are the most appropriate ways of controlling the activities of people working in the field of economics. Legislation is the word for all the laws and legislative measures of a country.

Cooperative legislation helps regulate the activities of cooperatives, to define ways of setting up a cooperative, its operating practices, etc. For example, it is cooperative legislation that regulates the legal and corporate personalities in the cooperative. These respectively help cooperative societies to have a distinct identity compared with other private companies and give members the opportunity to conclude contracts with third parties.

Cooperative legislation takes different forms depending on the country:

- some countries prefer to adopt a single law applicable and valid for all cooperatives (Germany, Brazil, Côte d'Ivoire, Thailand, Mexico among others);
- others have specific laws for a given type or sector of cooperatives and regulate the operation of cooperatives separately (Ethiopia, Japan, France, Rumania among others);
- in some countries, cooperatives are regulated by specific chapters of more general codes like the Civil Code or the Commercial Code (Switzerland, Belgium among others);
- cooperatives can also be regulated by special provisions governing the application of a more general law to cooperatives (the United Kingdom for example).

Some countries like Denmark and Norway have the distinction of not having any cooperative legislation while at the same time possessing a large cooperative movement. But these examples are still only isolated cases. In spite of the diversity in terms of cooperative legislation, it is right to point out that all legislation on cooperatives is usually in three parts.

First of all, a law, an ordinance, a decree, a proclamation or a decision, whatever is the term used for it in the country in question, sets forth the fundamental nature and the general principles. This legislative instrument is difficult to adapt and generally does not go into detail as it is followed by

⁵⁹ ILO : Promotion of cooperatives (Geneva, 2001).

regulations.

Secondly, regulations drawn up to conform to the law are issued. They have to indicate the points that registered cooperatives will have to, or will be able to, deal with in their rules.

Thirdly and finally, the rules governing their operating procedures⁶⁰ are set.

Cooperative legislation evolves differently according to the region. In industrialized countries where the influence of cooperatives in the economy can prove considerable depending on the sector, legislation helps cooperatives to secure finance on the capital markets while limiting access to the right to vote of non-members, out of respect for the cooperative principle of autonomy and independence.

In countries in transition, the passage from a planned economy to a market economy has serious consequences for the countries of central and eastern Europe. Before the collapse of the socialist system, coops had to conform to the centralized economic plan, drawn up by the State. Following the fall of socialism, legislation in these countries tried very hard to confer the status of private enterprise on cooperatives. However the task proved rather difficult because of the absence of private property rights. These difficulties were felt particularly by collective agricultural cooperatives. There followed intense legislative activity for which the starting point was the inclusion of cooperatives in Soviet legislation in 1988. But progress and improvements are still to be made.

In developing countries, economic liberalization, globalization and programmes of structural change have contributed to lessening the stranglehold of the State on cooperatives. Legal bills have tried to follow this evolution, sometimes with some success mainly in Asia (Malaysia, Mongolia, Nepal, Thailand, Vietnam). After the complete expropriation of the cooperative movement by the State, the legal bills of developing countries are doing their best to give cooperatives autonomy and independence.

⁶⁰ ILO: *Initiation à la pratique de la coopération* (Geneva, 1962).

Content of a cooperative law

❑ Preamble

Defines guidelines for interpretation of the law.

❑ General provisions

This section contains, among other matters, the definition of a cooperative society, the cooperative principles, a definition of terms used in the law...etc.

❑ Formation, registration and publication

The section relating to formation indicates the procedures for setting up a cooperative (status of members, their number, age restrictions).

This section also contains guidelines for the procedure for registering the cooperative with the competent authorities and its consequences as well as for the rules for admission and resignation of members and conditions for their exclusion and suspension.

❑ Obligations and rights of members

This refers to: the personal obligations of members when they join the cooperative (respect for the rules, active participation in the life of the organization...), members' financial obligations (to subscribe a set number of shares) and their personal and financial rights (to participate in General Meetings, to use the services provided by the cooperative, to receive dividends...).

❑ Organs and management of the cooperative society

A list of the different organs of the cooperative along with their composition and powers is drawn up (General Meeting, Board of Directors, Supervisory Committee).

❑ Funding, accounts and distribution of surpluses

Considering the concern for autonomy of cooperative societies, the law has to define and clarify the rules relating to the cooperative's internal and external financial resources: a definition and description of a share, relations with non-members, a definition of the reserve fund, ways of distributing the surplus at the end of the financial year and transactions with users.

❑ Audit

The audit is a procedure for controlling the accountability and management of an enterprise and the way it fulfils its objectives. It monitors whether the interests of third parties, administrators and members are being protected. The audit can be internal (carried out by members elected at the General Meeting) or external (carried out by a union, federation, confederation or else private auditors).

The frequency of internal and external audits must be clearly defined in the law.

❑ Forms of dissolution

The law deals both with the steps to take after dissolutions without liquidation (amalgamation of cooperatives, division and conversion) and dissolutions with liquidation.

❑ Simplified structures

The law might provide for setting up a form of organization less complex than the traditional cooperative.

❑ Apex organizations

The cooperative law has to define the roles of unions, federations and confederations along with their powers.

❑ Settlement of disputes

The cooperative law specifies the way disputes in cooperative matters are dealt with and settled.

❑ Miscellaneous, transitory and final provisions

This section can contain information on legal penalties incurred by particular acts and on the decree specifying how the law should be enforced, etc.

Source: ILO: Guidelines for cooperative legislation; COOPREFORM programme (Geneva, 1997)

**Key points from the chapter
“The State and promotion of cooperatives”**

- We are witnessing more and more the influence and growing scope of cooperatives in sectors from which the State has withdrawn.
- Cooperatives are managing to provide public services hitherto provided by the State.
- Because of the principle of equal treatment with respect to other forms of enterprise and the recognized usefulness of cooperatives, the State has to promote cooperatives and create a favourable environment for their development.
- Recognition of the cooperative institution by the State is a prerequisite for any policy of cooperative promotion.
- Although it must not interfere in cooperative life, the State can be asked to provide cooperatives with technical services in particular to make it easier for them to be set up or in the field of education and training.
- The State must establish an environment favourable to cooperatives, in the main through legislation adapted to their needs.
- Cooperative legislation helps to regulate cooperative activity, to define the ways of setting up a cooperative, its operating procedures, etc.
- In the area of cooperative legislation, there are different groups of countries:
 - countries with a single law applicable to all cooperatives;
 - countries with a specific law for a given type of cooperative or sector;
 - countries where cooperatives are regulated by particular sections of more general codes;
 - countries in which cooperatives are regulated by a special provision;
 - and finally countries with no control over cooperatives.
- Redefining the role of cooperatives in national economies has led to a need for a change in cooperative legislation, especially in developing and transitional countries.

Regional regulation

At a time when globalization and regional integration are trying to push back frontiers, the question of harmonization of national legislations is quite natural. This harmonization has already started in the four corners of the world. It is dictated by the development of the cooperative movement in certain sectors of the economy in an increasingly competitive atmosphere where the globalization and liberalization of economies hold sway.

Africa's experiences

Africa is the continent which has had more than any other a wealth of successful experiences in this field. These experiences involve the regulation of a very precise type of cooperative, credit unions, and their activities but also the development of a uniform act on cooperative society rights.

In 1993 the West African Economic and Monetary Union⁶¹ (UEMOA) adopted a law called PARMEC, a support project for the regulation of credit unions. The principal objective of this law was to control the mutual or cooperative institutions of savings and credit, the aim being to govern credit agencies not having the status of traditional banks, i.e. systems of a mutualistic nature like credit unions. The originality of this law is due to the fact that it gives organizations not set up on mutualistic or cooperative lines (tontine funds, village banks) a way of carrying on their operations legally after making an agreement of five years at most, called a "convention", with the competent administrative authority (usually the Finance Minister).

Central Africa, through the Economic Community of Central African States⁶² (CEMAC), preferred to regulate the actual business of microfinance.

By "microfinance" CEMAC means the provision of financial services (savings and credit) by bodies not having the status of banks. This law is very controversial because of numerous deficiencies in the text. We can reproach the law above all for mentioning in its articles legal structures authorized to carry out activities linked to microfinance whereas this law is meant to regulate the activity of microfinance alone. Besides, the law pays no attention

⁶¹ This organization formed in 1994 aims to unify national economic areas. It comprises Burkina Faso, Côte d'Ivoire, Mali, Senegal, Benin, Guinea-Bissau, Niger, Togo.

⁶² CEMAC comprises six central African countries, namely Cameroon, the Central African Republic, the Congo, Gabon, Equatorial Guinea, Chad. What it seeks to do, among other things, is to encourage national markets by removing the obstacles to intercommunity trade, by coordinating development programmes and harmonizing member States.

to insurance cooperatives or even tontines, whereas the latter are found everywhere in the CEMAC zone, and forbids cooperatives from using the term “bank” in their name despite their actual existence⁶³.

In an even broader context, the Organization for the Harmonization of Business Law (OHADA) in Africa made up of sixteen African countries⁶⁴, decided to adopt a uniform act on cooperative and mutual societies and other forms of decentralized financial systems in the OHADA zone. This organization, formed in 1993, has the goal of remedying the legal and judicial insecurity existing in the member States, due mainly to the age of the laws in force.

The advantage of this process is that, once adopted by the Council of Justice and Finance Ministers of member States, this uniform act will apply in the whole OHADA zone, that is in the sixteen member countries.

The European experience

The European Union (EU) also took an interest in cooperative legislation with the drawing up and adoption of the statute for a “European Cooperative Society” in July 2003. Within the (then) 15 members making up the European Union, there were more than 180,000 cooperatives with more than 80 million members and more than 3.2 million workers. With enlargement, to these totals have to be added 300,000 businesses, 5 million employees and 150 million members, after the accession of applicant countries. Such figures explain why the EU was interested in the statute for a European Cooperative Society (ECS). It was essential that cooperatives whose activities are not intended to respond exclusively to needs existing at a local level have the possibility of carrying out their activities on a Community scale. The purpose of this statute is to facilitate the development of the trans national activities of cooperatives by giving them adequate legal instruments, in other words to allow the creation of new cooperatives of natural persons or corporate bodies at European level. For example, the ECS constitutes an economic weapon for agricultural cooperatives in the single market and the global economy. It will help them enlarge their stocks and markets, while at the same time respecting their distinctive principles and their mission of economic organization of production. At the European level, they will be able to play a role in the organization of markets.

63 Raiffeisen Bank in Germany, Switzerland and Austria, Rabobank in the Netherlands, Crédit Agricole in France are some examples which go to prove the existence of cooperative banks.

64 These countries are Benin, Burkina Faso, Cameroon, the Central African Republic, the Comoros, the Congo, Côte d'Ivoire, Gabon, Guinea, Guinea-Bissau, Equatorial Guinea, Mali, Niger, Senegal, Chad and Togo.

**Key points from the chapter
“Regional control”**

- Globalization and the growth of cooperatives in some sectors encouraged a certain amount of harmonization at regional and international levels.
- There are several regional control initiatives: in Africa with the regulation of the activities and institutions of microfinance, and at European level with the creation of the statute for a European Cooperative Society.

Part IV

The ILO and Cooperatives

The importance of cooperatives for the ILO

12

The International Labour Organization (ILO) maintains close and old ties with the world cooperative movement. It is interesting to note that the first Director-General of the International Labour Office, Mr. Albert Thomas, was a member of the Board of Directors of the International Co-operative Alliance, the representative organization for the cooperative movement at a global level.

The role of cooperatives in securing decent work

The ILO, a specialist agency of the United Nations founded in 1919, has as its mission to defend and promote the rights of male and female workers, so that they are universally recognized. This permanent organization comprises:

- a general conference of members' representatives or International Labour Conference (ILC);
- a Governing Body;
- an International Labour Office under the direction of the Governing Body.

The ILC develops and adopts standards on the rights of workers, employment and other matters relevant to the ILO mandate. A standard can take two forms : 1) a Convention which obliges the member States that ratified it to apply it, 2) a Recommendation which is a general policy directive and which, although nothing in the wording obliges member States to incorporate it into their national legislation, is generally applied.

At the 87th session of the International Labour Conference, the Director-General refocused ILO activities on access for all to a decent job. The fundamental goal for the ILO today is that each woman and each man should be able to get decent, productive work in conditions of freedom, equity, security and human dignity⁶⁵.

As we wrote in chapter 9, by decent work the Director-General means productive work allied to protection of rights, adequate income and appropriate social protection. Unfortunately, few workers can pride themselves of having such work.

The ILO has always recognized and still recognizes today that cooperatives

65 Director General's report presented during the 87th session of the International Labour Conference (Geneva, 1999).

play an important role in the improvement in living and working conditions and in the provision of essential services and infrastructure in regions neglected by public enterprises and investors. Empowered by the adoption in June 2002 of Recommendation No.193 on the promotion of cooperatives⁶⁶, cooperatives are joining in fully with the new activities of the ILO which aim to promote opportunities for women and men to obtain decent, productive work in conditions of freedom, equity, security and human dignity. As we have seen throughout this handbook, cooperatives meet all the requirements of decent work by offering financial opportunities for their members through running a common enterprise, by providing basic social protection for their members through mutual aid and by enabling their members to make their voices heard thanks to the democratic organization of cooperatives, etc.

In addition, it is again with the cooperative formula that the ILO hopes, within the framework of its mandate, to take up the challenge of poverty. On this, the Director-General's report is very clear:

“Participation and inclusion are two fundamental aspects of the new approach to reducing poverty. Cooperatives are an ideal tool in a strategy of this type and the ILO has for a long time made good use of their strengths (...) Cooperatives have proved their ability to construct new ways of combating social exclusion and poverty, especially by encouraging local development initiatives.”⁶⁷.

The Cooperative Programme of the ILO

All activities relating to cooperatives are carried out through the Cooperative Branch of the ILO, founded in 1920.

The Cooperative Programme of the ILO (EMP/COOP) strives to promote cooperative values and principles. It provides member States with advisory and technical services, organizes international meetings, produces literature and carries out publicity work to improve awareness of the cooperative institution. Technical assistance covers a very wide spectrum, from cooperative legislation and policy and staff training to programmes of job creation, poverty reduction or local economic development.

Cooperative policy and legislation

Democratization of civil life, deregulation of national economies and globalization of trade and finance have completely changed the environment in which cooperatives operate. Added to this is the withdrawal by the State and the end of its support in the cooperative arena, especially in developing countries.

⁶⁶ See chapter 13.

⁶⁷ Director-General's report for the 91st session of the International Labour Conference (Geneva, 2003).

These economic and political changes have made it necessary to draw up new cooperative development policies.

In this context the Cooperative Programme is helping several member States to formulate cooperative development policies, with a view to creating an environment conducive to the development of cooperatives.

The COOPREFORM programme was conceived with the aim of helping to create a favourable climate for cooperative development by revising the political and legal framework of the countries concerned. More precisely the three objectives were: 1) to help decision makers to establish a climate conducive to cooperative development; 2) to help governments and cooperative movements to devise a legislative framework conducive to the development of viable autonomous cooperatives; 3) to strengthen the powers of national organizations by making available to them technical support services for the benefit of their members. In the end 62 countries were able to benefit from the programme. Some of the results were:

- the publication of 10 national papers on cooperatives and structural adjustment;
- help with drafting at least 50 cooperative legislations and model laws;
- assistance with drawing up 29 cooperative policy document outlines;
- in addition, the adoption of Recommendation No.193 by member States encourages them to adapt their policy on cooperatives in line with its contents. Support services aimed at promoting Recommendation No.193 have already been provided in 16 countries.

Development of Human Resources and formation of networks

One of the major factors contributing to the success of cooperative enterprises is the development of human resources which in the end helps those concerned to join in the activities of a cooperative. Education and training of members and staff are only one aspect of personnel development. Staff recruitment and placement, career development of staff, evaluation of the performance of groups or individuals, etc. are other aspects to be taken into account.

The formation of networks is the main strategy the Cooperative Programme uses to promote human resource development. Information and skills are exchanged thanks to networks formed between cooperative institutions. The MATCOM project and the COOPNET programme serve to illustrate the strategy chosen by the Cooperative Programme.

MATCOM is a project funded in part by Italy which supports the

development of human resources by developing interactive training materials and distance learning. A great variety of training materials have been produced thanks to this project.

The COOPNET programme has helped to set up an exchange network between existing cooperative human resource development agencies and other organizations involved in cooperative human resource development. Thanks to the network, there has been established a flow of information and skills between cooperative institutions, allowing not only for more effective information sharing but also for rationalization of activities at regional, inter-regional and global level. The objectives for COOPNET were to do with improving cooperative human resource development policies and programmes. Trainers and those in charge of cooperative human resource development institutions and programmes have been the direct beneficiaries of the programme.

COOPNET was able to offer its services in Asia, in East, Central and Southern Africa, in Latin America and in West Africa. In all these regions, national coordinators organized national and sub regional workshops with existing networks and development partners, carried out consultation exercises, published training materials and initiated pilot schemes at national level.

Beyond member and staff training, the result has been the creation of an electronic network which is still working today. An electronic newsletter, COOPNET AL DIA, was created and helps strengthen the cooperative network.

ACOPAM*

ACOPAM was one of the most important ILO regional programmes of technical cooperation and the most durable in Africa. This programme acquired remarkable experience and long-lasting expertise in the development of different types of agricultural cooperative, which had a considerable impact on (self-)employment in the Sahel.

The programme encouraged the self-employment of the peoples of the Sahel through the promotion of cooperatives and other mutual help organizations such as :

- Self-run irrigation projects (irrigated perimeters);
- Natural resource management groups;
- Village cereal banks;
- Savings and credit associations;
- Mutual societies for basic health care;
- Marketing cooperatives for cash-crop producers.

ACOPAM launched 247 cooperative cereal banks which improved the food security of 86,000 families in three countries. Thanks to this system, peasant farmers kept their land and remained economically independent. In Burkina Faso for example, ACOPAM introduced an innovative system of collective marketing of cotton which offered village groups extra income through remuneration for their services by ginning factories. Most of this extra income was invested in community development schemes for improving living conditions in the village. This system was so successful that today 80% of the cotton grown in the Sahel is marketed by cooperative groups.

* At the start, ACOPAM was an acronym for the French for Cooperative Support to World Food Programme-assisted Development Activities in the Sahel area. The name has been kept although the mandate of the project has changed a lot since it started in 1978.

Organizing workers from the informal economy

Workers' organizations and cooperatives have traditionally shared the same goals and objectives (the promotion of democracy, the struggle against poverty, protection for workers, job preservation and creation, etc.) and in some areas, these two forms of organization have common origins.

Indeed a host of examples can be found which prove the huge potential for action there is in collaboration between cooperatives and workers' organizations in the creation of decent jobs and the protection of workers' rights. These two elements have for too long been missing from the informal economy and, according to numerous reports on poverty, action aimed at responding to this deficiency was becoming more and more urgent. From these findings was born the SYNDICOOP project.

The aim of the project is to improve the working and living conditions of the unprotected workers of the informal economy in some African countries pre-selected via pilot schemes aimed at creating decent jobs and income. First of all the powers of the workers' organizations and cooperatives would be strengthened to allow them to work together in the informal economy. This project is the fruit of collaboration between the ILO (through the Cooperative Programme and the Bureau for Workers' Activities), the International Co-operative Alliance and the International Trade Union Confederation.

Indigenous populations

Indigenous and tribal populations (ITP), estimated at more than 300 million people, belong to the poorest and most marginalized communities in the world. The development challenges which these peoples have to face are totally different from those of the surrounding society since the way they earn their living and preserve their languages and their relationship with the environment, especially nature, are different.

The ILO is the only organization within the United Nations to possess two

legal instruments defining the rights of indigenous and tribal populations⁶⁸.

The INDISCO programme completes this initiative in support of the defence of the rights of these communities. It was developed with the aim of supporting the ITP and their organizations to put into practice their own initiatives and development plans in accordance with Convention No.169.

The INDISCO scheme involves supporting demonstration pilot schemes, upholding best practice and forging links between grassroots experiments and the wider political spectrum.

Since 1994 this programme has run a portfolio of development projects in the heartlands of the ITP in South and South-East Asia, in Africa and Central Africa. The programme is particularly effective in the creation of sources of sustainable income, viable organizations and decent jobs. In every region, the programme aims to strengthen traditional forms of organization, mainly by forming cooperatives, in order to help them adapt to new pressures using local natural resources to guarantee the development's sustainability. At Orissa in India, for example, tribal communities have greatly improved their economic situation by founding mutual help organizations and cooperatives to produce and market cups and plates made of leaves from the Sal tree, ropes and mats made from Sabai grass and silk from Tasar silkworms.

SYNDICOOP in brief

Background and objective of the project

At its 25th Congress in Warsaw, the International Co-operative Alliance (ICA) adopted a resolution on unified action by cooperatives and trade unions. Along the same lines and coordinated by the ILO, an International Symposium on Trade Unions and the Informal Sector was held in Geneva in 1999. This Symposium marks the start of the SYNDICOOP project with its aim of improving the working and living conditions of the unprotected workers of the informal economy.

The objectives of the project are: (i) to strengthen the powers of cooperatives and trade unions to allow them to organize workers from the informal economy; (ii) to improve the working and living conditions for the beneficiaries of the pilot schemes.

The strategy used is a close collaboration between unions and cooperative organizations to :

- Collect information on the informal economy;
- Collect and analyse data relating to good practice;
- Publish case studies;
- Identify entry points;

⁶⁸ Convention no.107 (1957) and Convention no.169 (1989).

- Create a network between trade unions and cooperatives;
- Train directors and staff of unions and coops;
- Help set up pilot schemes in selected countries.

Results achieved

The project is currently active in three African countries: Uganda, Tanzania and Rwanda, all at different stages. During 2003, studies took place in each of the countries to work out a procedure for organizing informal groups into cooperatives and, in line with the conclusions of these studies, strategies specific to each country were adopted. A Steering Committee was set up in the three countries, made up of selected workers' organizations and groups from the informal sector and government representatives.

The results of the project so far include:

In Tanzania:

- Seven pilot groups were identified and selected as local partners with a total of 363 people, 190 women and 173 men (only two groups registered as cooperatives);
- Ten cooperative and trade union organizers were trained to organize the beneficiaries of the project to set up and manage cooperatives. They were also taught a little about trade unionism;
- Training manuals on credit unions, cooperative awareness, trade unions and entrepreneurial skills were developed.

In Uganda:

- A training manual for members of the Steering Committee was prepared;
- A study of gender-related issues was undertaken;
- Technical support was given in the form of accounting work;
- Savings were generated and a rotating loan fund started.

In Rwanda :

- Five target groups were identified;
- Four training manuals on cooperation in general, credit unions, trade unionism and income-generating projects were developed;
- The directors and members of the target groups received training.

Key points from the chapter
“The importance of cooperatives for the ILO”

- From the very beginning, the ILO has always seen the cooperative form of organization as very important in its employment and social protection strategies.
- All activities relating to cooperatives are carried out by the Cooperative Programme of the ILO.
- The Cooperative Programme is active in the following fields :
 - cooperative policy and legislation;
 - human resource development in cooperatives;
 - relations with the informal economy, especially the organization of workers from this sector of the economy;
 - defence of the rights of indigenous and tribal populations;
 - research and information.

The ILO Recommendation No.193 on the promotion of cooperatives is a big step forward in the creation of an international environment favourable to the development of cooperatives.

On June 3, 2002, the ILC adopted almost unanimously Recommendation No.193 on the promotion of cooperatives. This recommendation replaces the earlier Recommendation No.127, whose scope was limited to developing countries and which had become null and void in the light of the changes that had taken place since it was adopted in 1966. The recommendation uses the ICA's Statement on the Cooperative Identity to redefine a cooperative. In addition it includes the cooperative values, ethics and principles and the whole text of this Statement is proof of the reaffirmation of the cooperative identity.

This instrument has considerable scope for the different players in the cooperative movement. In fact, by underlining the importance of cooperatives in job creation, mobilizing resources and the economic and social development of all people⁶⁹, Recommendation No.193 defines the roles of governments, employers' and workers' organizations and cooperative organizations in the promotion of cooperatives.

The role of governments in the promotion of cooperatives

Recommendation No.193 gives an important position to governments in the promotion of cooperatives. Above all they are asked to establish policies and a legal framework conducive to the development of cooperatives in keeping with their values and principles. This framework should include measures for monitoring cooperatives and specific policies for cooperatives and their needs.

More particularly governments are expected to introduce measures for cooperatives that are no less favourable than those enjoyed by other forms of enterprise and to take steps to support the activities of cooperatives especially in the field of work and those directed at disadvantaged groups or regions. These measures could take the form of tax benefits, loans or grants.

The promotion of equality between men and women in cooperatives and their operations as well as the ILO's fundamental labour standards (and the ILO Declaration) in national policies are some of the issues referred to in the

⁶⁹ Preamble to Recommendation no.193 on the promotion of cooperatives.

section of the Recommendation on the role of governments.

The development of human resources in cooperatives is also taken into account. Governments are encouraged to adopt measures to develop the human resources of the cooperative movement as well as knowledge of the values, advantages and benefits of that movement. National governments should develop the technical and vocational skills, the entrepreneurial and management abilities, the knowledge of business potential and the general economic and social policy skills of members, workers and managers and improve their access to information and communication technologies.

The Recommendation encourages governments to promote education and training in cooperative principles and practices at all appropriate levels of national education and training systems and in the wider society.

Improving access by cooperatives to credit and markets, adopting health and safety measures in the workplace, promoting the role of cooperatives in the "formalization" of the informal sector, providing cooperatives with support services (in the areas of management, accountancy, audit, etc.) are other subjects specifically referred to in the text.

The role of employers' and workers' organizations and cooperative organizations

Recommendation No.193 accords a crucial and complementary role to employers' and workers' organizations and cooperative organizations in the promotion of cooperatives.

Employers' organizations are asked to extend membership and service provision to cooperatives wishing to join them.

Workers' organizations are encouraged to assist workers in cooperatives to join trade unions, to assist members of workers' organizations to set up cooperatives, to participate in the setting up of cooperatives with a view to creating or maintaining employment, to promote productivity, equal opportunities and associated workers' rights and to undertake education and training activities.

As for cooperative organizations, they are encouraged to work closely with workers' organizations in the development of cooperatives; to provide technical, commercial and financial services; to promote the horizontal and vertical integration of cooperatives; to invest in human resource development; to represent cooperatives at international level and to encourage international collaboration.

Having considered everyone's role in the promotion of cooperatives, the Recommendation encourages international cooperation in the form of an exchange of information on policies and programmes that have proved effective in job creation and income generation for members of cooperatives and through relationships between national and international institutions and

bodies involved in the development of cooperatives.

This Recommendation is a considerable asset for the development and promotion of cooperatives as it directly addresses all 177 of the member States of the International Labour Conference, defining the roles of their governments, their workers' and employers' organizations and cooperative organizations.

The Resolution on the role of cooperatives in the social development of the United Nations adopted in January 2002, reinforces the idea according to which cooperatives play an important part in social development by promoting full participation by the whole population (women, the young, the elderly and people with disabilities) in economic and social development. The Resolution also encourages the member States of the United Nations to create an environment conducive to the development of cooperatives.

It is thus internationally recognized that cooperatives represent a major mechanism for job creation and income generation and, as a consequence, for the struggle against poverty.

**Key points from the chapter
“Recommendation No.193 of the ILO”**

- The International Labour Organization’s Recommendation No.193 on the promotion of cooperatives is a big step forward in the establishment of an international environment conducive to the development of cooperatives.
- Recommendation No.193 defines the roles of governments, employers’ and workers’ organizations and cooperative organizations in the promotion of cooperatives.
- The United Nations Resolution on the role of cooperatives in social development recognizes the contribution and potential of cooperatives in social development and encourages member States to establish an environment conducive to their development.
- The economic and social development potential of cooperatives is internationally recognized.

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