



Briefing Note

Working with Co-operatives for Poverty Reduction

1. Executive Summary

Why work with co-operatives? Co-operatives can be significant economic players that contribute to sustained economic growth: the Co-operative Bank of Kenya reported a turnover of over £900 million in 2008-9 and Amul, an Indian dairy co-operative, had a turnover of £750 million¹. Globally co-operatives create jobs for over 100 million people² and help make markets work better for the poor by turning marginal informal sector activities into viable livelihoods, securing access to the skills and resources farmers need to process, market and develop raw materials into more profitable products and expanding access to financial services. A recent IMF study found that co-operative banks are more stable than commercial banks³. Co-operatives provide utilities such as electricity, serving 28 million people in Bangladesh alone. They can bring benefits to poor people by helping their views be heard and offering first hand experience of democratic processes. They have also supported peace building initiatives in countries such as Bosnia and Rwanda.

What is a co-operative? Co-operatives are private sector enterprises set up to meet their members' needs. In principle they are owned and democratically controlled by their members and based on shared values, but in practice many have been controlled by government. However the co-operative movement globally is undergoing a renaissance with increased autonomy, membership and impact.

Co-operative initiatives. DFID has worked with co-operatives for many years, across many sectors and is currently providing £5 million to the ILO's Coop^{AFRICA} programme. This paper provides case studies of co-operative initiatives funded by DFID and other donors in finance, agriculture, utilities and other sectors.

DFID Policy Framework. Growth lies behind 80% of poverty reduction achieved in the last 15 years. DFID's Growth and Private Sector Development Strategies focus on how to sustain growth and make markets function better for poor people. Co-operatives can make an important contribution to both these objectives.

How to work well with co-operatives. Partners need to engage strategically with co-operatives as players in a broader market system to ensure the poor benefit from improved co-operative performance. Donors, the private sector and government can play three main roles in strengthening co-operatives' contribution to poverty reduction: promoting a more enabling legal and policy environment; strengthening co-operative networks; and helping co-operatives perform better through greater access to finance, capacity building, and opportunities to scale up and expand market access.

2. Why work with co-operatives?

2.1 Co-operatives can be significant economic players that contribute to sustained growth processes. The top 300 global co-operatives have a combined turnover of US \$1.1 trillion. Co-operatives employ over 100 million people (more than multinational corporations)⁴ and contribute to increased agricultural productivity, expanded access to financial services and critical utilities such as electricity. Co-operatives can make a significant contribution to GDP: an estimated 9% in Vietnam and 45% in Kenya⁵ where the Co-operative Bank of Kenya reported a turnover of over £900 million in 2008-9 and the combined assets of all Kenyan savings and credit co-operatives are worth \$2.7 billion⁶. Despite global recession Amul, an Indian dairy co-operative, had a turnover of £750 million in 2008-9 and sales growth of 27%.

2.2 Co-operatives help create more equitable growth. Co-operatives can help make markets work better for poor people, by generating economies of scale, increasing access to information, and improving bargaining power. Co-operatives have over 800 million members and many operate in the informal sector where they can transform the survival activities of the poor into viable livelihoods. Co-operatives of scavengers (rag pickers/waste collectors) in India and Latin America have improved bargaining power with the authorities, leading to reduced harassment and increased incomes. Co-operative profits are re-invested in the business or shared with members so the rewards of enterprise are retained locally. Coalitions between the poor and not-so-poor in one co-operative can help improve the performance of the enterprise and reduce the poverty of its poorer members.

2.3 Co-operatives help tackle rural poverty. Co-operatives increase the productivity and incomes of small scale farmers by helping them collectively negotiate better prices for seeds, fertilizer, transport and storage. Co-operatives help farmers expand market access and capture more of the value chain - for example, by getting involved in processing activities. Farmer groups can help farmers move out of poverty, and co-operatives are one form that these groups can take. Co-operatives are often the main channel through which smallholders access Fairtrade certification which guarantees a minimum price and extra funds for investment. In India dairy co-operatives generate employment for 13.4 million rural households⁷.

2.4 Co-operatives expand poor people's access to financial services, including credit savings and in some cases insurance and remittances. These services can support enterprise start-up and expansion; enable the risk taking that can lead to increased profitability; and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption. Co-operatives are active across the financial sector – from micro finance to mainstream banking. Co-operatives are one of the largest providers of micro finance services to the poor, reaching 78 million people living below \$2 a day⁸, and some co-operatives have become major financial sector players. A 2007 IMF study found that co-operative banks are more stable than commercial banks⁹ – a finding borne out by the recent financial crisis¹⁰.

2.5 Co-operatives provide a range of services such as health care, housing, and utilities such as water and electricity. Co-operatives have been successful in expanding access to water and electricity for poor people and reducing wastage from illegal diversion of utilities. In Bangladesh, as in the US, rural electricity co-operatives were set up to meet communities' own needs in the absence of any external private firm seeing this as a viable market opportunity – in Bangladesh these serve about 28 million people, with start up support from DFID and USAID.

2.6 Co-operatives can provide an opportunity for self determination and empowerment of poor people. They foster a culture of good citizenship and enable their members to have a voice and participate in a democratic process, thus having empowering development effects beyond their economic benefits.

2.7 Co-operatives can help with conflict resolution, peace-building and social cohesion. Where co-operatives bring together people of different religious, ethnic and political groups they can build trust and solidarity leading to greater social stability. Co-operatives have been found to contribute to recovery from conflict by fostering positive relations between ethnic groups previously in conflict in Bosnia, East Timor, Lebanon, Macedonia, Mozambique, Nepal and Rwanda¹¹.

3. What is a co-operative?

3.1 Co-operatives are private sector enterprises set up to meet their members' needs. They are owned and democratically controlled by their members - a governance model distinguishing them from private firms. In principle they are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity.¹² They cover a wide range of activities including: agriculture, financial services, manufacturing, transport, utilities, health care and funerals.

3.2 The most common form of co-operative is the 'primary society' which normally operates at village level with individual and household members. Primary societies come together to form secondary co-operatives (also known as federations or unions) which provide services such as distribution, marketing and training. In many countries, there are also national level apex bodies representing the sector.

3.3 In the past co-operatives have been subject to state control and used as vehicles for political patronage. However the success of the co-operative sector depends on their operating without government favour or interference. Despite a process of liberalisation which started in the early 1990s many co-operatives are still struggling to break free of state control, but globally the co-operative movement is undergoing a renaissance with increased autonomy, membership and impact.



Tea farmers in Kenya discussing plans to set-up a co-operative to market their products.
Photo: The Co-operative College



Indigenous women and children from a dairy co-operative on a DFID-organised exchange of small producers between Bolivia and Nicaragua.

4. Co-operative Initiatives

How has DFID engaged with co-operatives?

4.1 DFID has been working with co-operatives and co-operative type organisations for many years and across many sectors including agriculture, rural electrification, and increasingly in finance. DFID also promotes enabling legal environments for co-operatives through legislative and regulatory reform.

4.2 DFID has invested £5million in the ILO's Coop^{AFRICA} programme, supporting co-operatives in nine countries of East and Southern Africa through:

- Co-operative law and policy reform: technical and financial support for development of Co-operative Policies and Acts, and facilitation of greater engagement by apex bodies in national policy processes.
- A challenge fund: over 1100 co-operatives have received funding and about 4000 jobs have been created.
- Co-operative support and apex bodies: forty-four organisations have been designated and supported to provide specialised business, outreach and training services for co-operatives.

Financial Co-operatives

4.3 Financial co-operatives are the most widespread type of co-operative – an estimated 950,000 globally serving over 850 million people, or 13% of the world's population¹³. They encompass both large co-operative banks and small village-level credit unions. Savings and Credit Co-operatives (SACCOs) are the most rapidly growing type of co-operative in Africa.

4.4 However in many countries the financial co-operative sector faces major challenges: poor management, low levels of supervision and political interference. While financial co-operatives are often huge in terms of membership and loan portfolios they are subject to very limited prudential supervision. In some cases co-operatives have been used as short term political tools – governments have sought to close them without providing compensation for savings lost and then later governments seek to promote them for electoral expediency.

4.5 Financial co-operatives can provide services to people far beyond the reach of current formal banks. They enable greater access and availability of vital financial services such as credit, and in some cases remittances (money transfer) and insurance, by providing outlets closer to where people need them and by allowing people to bank smaller deposits and open an account on a lower minimum salary. These services can provide reliable local institutions for credit and savings and substantially reduce the vulnerability of the poor by providing coping mechanisms during crises and enabling people to accrue savings, build assets, smooth out consumption, and invest in income generating activities.

4.6 Financial co-operatives can provide low cost services. Often (though not always) financial co-operatives are not-for-profit entities and any surplus is used to offer members more affordable loans, higher returns on savings, lower fees or a wider range of products. Some national level co-operatives have been able to negotiate competitive prices for financial services such as remittances or insurance which can then be rolled out at a local level. Local level co-operatives are also able to keep costs down due to their low overheads.

Accessing better deals for sending money

The World Council of Credit Unions (WOCCU), a global network for financial co-operatives, has negotiated low cost remittance services which are available in countries across Latin America, Asia, Africa, Europe and Australia. The WOCCU product has reduced fees in some cases to 1%. By comparison some commercial fees can be as high as 40%¹⁴. Recipients are not required to have a credit union account to pick up their transfer, and can often collect their transfer locally. Recipients are also being encouraged to open savings accounts with their local credit union and access other financial services for the first time.

4.7 As mentioned an IMF study found that co-operative banks are generally more stable than formal banks¹⁵ due to the lower volatility of their bank returns. The study also found that in many contexts a higher co-operatives presence has a positive impact on bank stability overall. Other studies have found that financial co-operatives have remained financially sound during the financial crisis with consumer co-operatives reporting increased turnover and worker co-operatives growing¹⁶.

4.8 DFID's largest engagement with co-operatives has been in the financial sector, with a number of initiatives to improve access to financial services by the poor. DFID has been instrumental in establishing pilot facilities and then extending these initiatives, sometimes with co-funding from other donors. Once established, DFID maintains a light-touch approach to these externally managed facilities:

- **Financial Sector Deepening Facilities**

The FSD Facilities are multi-donor initiatives working in Kenya, Tanzania and Nigeria, and currently being established in Rwanda. The Facilities aim to significantly expand access to financial services among lower income households and smaller scale enterprises. DFID founded these facilities and is the major donor. In total FSD Kenya and Tanzania have provided US\$10.2 million to the co-operative sector, including support to 10 SACCOs (Savings and Credit Co-operatives).

- **Financial Deepening Challenge Fund (FDCF)**

The FDCF projects was operational in 15 countries across Africa and Asia with a total funding pot of £15m. It directly supported two co-operatives in Kenya and Malawi (see page 9)¹⁷.

- **Coop^{AFRICA}**

The Challenge Fund has supported 31 initiatives involving financial co-operatives, and created 4000 jobs. The CoopAFRICA programme also supports the establishment of a more enabling legal and regulatory environment for co-operatives. Through this work twenty-two countries have developed policies or regulations focused on promoting cooperatives.

Cash transfers in Malawi



Malawi Union of Savings and Credit Co-operatives (MUSCCO)

“Before FINCOOP came in, I was not motivated to open up a savings account in any financial institution because I could not afford to leave my business place for a couple of hours just to do financial transactions at a distant bank at a City Centre. But with Fincoop I have done it because it is closer to where I operate my business.”
Mrs. Mzunga, a mother of six children

DFID’s Financial Deepening Challenge Fund supported MUSCCO¹⁸ to establish an urban Savings and Credit Co-operative, called FINCOOP, for the self-employed and micro-businesses in the informal sector. Access was increased by opening four branches and fifty service points where people needed them, eg market places and local transport hubs. Clients included street traders and hawkers who often generate considerable business but cannot use high street banks which see them as high risk and costly.

FINCOOP found that potential customers did not trust more formal banks to hold their money, seeing them as remote and opaque structures, and were more inclined to trust FINCOOP because of its membership structure. FINCOOP registered about 11,000 clients - more than double its target membership - and 80% of these had never before had a bank account or access to credit. By the end of the project FINCOOP was experiencing rapid growth - its market share had grown from zero to 16% and it was able to operate without external support.

Agriculture and Co-operatives

4.9 Agricultural co-operatives can help farmers get a better deal at various stages of production and distribution. Through membership of a co-operative farmers are collectively able to negotiate better prices for inputs, transport and storage facilities. Co-operatives can also help them expand access to markets and capture more of the value chain, for example by getting involved in processing activities. Some co-operatives are significant economic players in the formal sector such as Amul, the Indian dairy co-operative, which boosts incomes to people across their value chain: farmers in 130,000 villages, over 7000 distributors, and 4000 parlour outlets¹⁹. 50% of global agricultural produce is marketed via co-operatives.

4.10 DFID has supported many agricultural co-operatives, especially through Coop^{AFRICA}

Adding Value to Dairy Processing and Marketing in Uganda

Funding from CoopAFRICA enabled the Wamala Growers Co-operative Union to improve dairy production, storage, packaging and marketing through buying and sharing high cost equipment that no dairy producer could have afforded or accessed funds for on their own; this included a milk tanker for transporting milk to larger markets that offer a higher price; a yoghurt processor enabling farmers to add value to their product as yoghurt fetches a higher price than milk; a refrigerator and lactometers so that dairy producers could quality assure the hygiene of their product.

Enhancing Fish Market Information in Kenya

Funding from CoopAFRICA enabled the Kenya Marine and Fisheries Research Institute (KMFRI) to provide real time market information to fishermen and traders, via mobile phones, the internet and radio. This allows them to escape price fixing by middlemen and to know the real-time market price of their fish stock. 30 fishery co-operatives received a mobile phone and through a chain of communications each member of the cooperatives was able to access the information.

4.11 Co-operatives are often the main channel through which smallholder farmers are able to access Fairtrade certification, which guarantees a minimum price and a “Fairtrade premium” - money paid to the producer group for investment in production or community projects.

Photo: Simon Rawles/Fairtrade Foundation

Helping Palestinian olive oil co-operatives access Fairtrade markets

“In the past, we were often forced to sell our products at a loss due to the economic situation, but we are hoping that Fairtrade will help re-establish small farmers’ faith in the sustainability of the agricultural sector in Palestine.” Mahmoud Issa, a Palestinian olive farmer and member of The Anin farmers co-operative.

The Anin farmer’s co-operative was one of the first to be certified Fairtrade by The Palestine Fair Trade Producers Company (PFTPC). PFTPC is made up of eight co-operatives, consisting of about 265 farmers. The PFTPC aims to bring many more growers into the scheme through registered small farmers’ co-operatives, which include some 1,700 growers. Working through a co-operative means that Palestinian farmers are able to access markets, international buyers and accreditation such as the Fairtrade mark - advantages not available to an individual farmer. The co-operatives also address other issues of common concern for farmers such as how to adapt farming techniques to changes in the local climate. DFID is providing £12 million between 2010-13 to scale up Fairtrade labelling globally and bring many more producers and products into the Fairtrade market.



4.12 Many agricultural co-operatives are emerging from Government

control. The Bangladesh Milk Producers Union successfully transformed itself from a government-imposed organisation into an accountable business that helps many thousands of small dairy farmers. And in Ethiopia socialist co-operative societies set up to service government interests in Ethiopia were successfully revitalized as market-oriented co-operative businesses with support from USAID²⁰.

Utility Co-operatives

4.13 Utility Co-operatives can expand access to water and electricity for poor people. Due to low over-heads and the vested interests of members to keep costs down, utility services provided through co-operatives can make electricity and water services available to people who would otherwise not be able to afford them. The co-operatives are able to provide a good fit of service to customer needs because its users are also its members and can inform decisions about where and how services are provided.

Water co-operatives in Bolivia

The Cooperativa de Servicios Publicos Santa Cruz Limitada provides water and sewerage services in the city of Santa Cruz, Bolivia. It has been in business for over 30 years and serves 750,000 people. Over the years performance has been very good by international standards, with water available 99% of the time. Membership is open to all its customers and its co-operative structure has helped the utility stay focused on consumers' needs.

4.14 Utility co-operatives have been particularly successful in ensuring timely payment for services from households and communities.

Non-payment and late payment are common reasons for failure of utility services in rural areas, but working as a co-operative enables utility services to minimise this risk. Utility co-operatives' users are more likely to pay for the service on time as non-payment or late payment will have a direct impact on the co-operatives' feasibility and the membership's finances.

4.15 Utility co-operatives are also able to respond to the challenge of 'missing markets' – areas where private sector service providers do not see it as economically feasible to invest. This was recognised in the USA in the 1930s when under the New Deal, rural communities set up hundreds of rural electricity co-operatives to meet their needs. Today co-operatives continue to provide electricity to one in four US citizens²¹.

Rural Electricity Co-operatives in Bangladesh



Electric Section, UCEP Barishal Technical School, Bangladesh, students learn about electricity – funded by DFID.

DFID is supporting a co-operative rural electrification programme in Bangladesh. Under the current phase, 1.35 million new connections will be set up to serve 10 million people. At the local level, co-operative societies are formed by consumer members who elect a board of directors. They oversee operations and decide on the areas to be electrified. The co-operative buys electricity from the state grid and manages all aspects of distribution, eg maintenance, payments etc. They are the best performing of South Asian utilities with the lowest pilferage and highest connection rates.

Other types of co-operatives

4.16 Co-operatives are sometimes the main service provider of health care or housing services for the poor. Due to low over-heads and the vested interests of members to keep costs down, housing and health care services provided through co-operatives can make housing and health care services available to people who would otherwise not be able to afford them.

4.17 Co-operatives can supplement other private and public financing of these services. Co-operatives can fill the gap where private service providers are either inaccessible, unaffordable or absent or where public services are failing to meet peoples' needs because government investment or support is lacking.

Midwives in Uganda

Through Coop^{AFRICA}, DFID funded the Uganda Private Midwives Association to promote a savings and credit scheme for private midwives, enabling them to raise the capital they needed for equipment and extra staff so they could provide a better service for women during pregnancy and childbirth.

4.18 Housing co-operatives can provide access for poor people to affordable accommodation in cities. Primary housing co-operatives are often based in informal, urban settlements and provide their low-income membership with financial services such as loans and credit, legal advice on security of tenure and land rights, advice on construction and suppliers, and training on advocacy. This enables members to build or upgrade housing and advocate for land and housing rights.

4.19 Transport co-operatives can help transport service providers access training and credit to improve safety and increase income. Locally provided transport services such as rickshaws, matutus and mototaxis are often poorly regulated. Limited access to training or funds to maintain and replace poor vehicles leads to compromises in safety. Co-operatives can provide training and credit and help regulatory bodies to roll-out improvements and support.

Kenacto Taxis in Kenya

Through Coop^{AFRICA} DFID funded a revolving fund to enable members to buy out KENACTO Taxis Ltd. The members provide a taxi service with the new company and the maintenance of the cars is managed by the co-operative. Initial income was used to recover operational costs and to provide salaries to members.

5. DFID Policy Framework

5.1 Growth lies behind about 80% of poverty reduction achieved in the last 15 years. It is the most powerful instrument for reducing income poverty and is needed to finance the achievement of all the MDGs. The involvement of poor people in economic growth is the best way to get people out of poverty and represents the exit strategy for aid²². Some co-operatives are major private sector players with the potential to drive growth. Many offer the potential to make growth more inclusive by bringing economic benefits to their members, employees and consumers. Co-operatives can also be efficient private sector providers of utilities such as electricity and water which are critical to growth.

5.2 DFID's Private Sector Development Strategy (PSDS) focuses on how to make markets function better and with greater fairness²³. Poor men and women are dependent on market systems for their livelihoods - they participate in markets to meet their needs for food, housing and services. But in developing countries these markets often function very imperfectly and fail to effectively meet the needs of the poor. The Strategy highlights a range of market failures that can constrain both growth and poverty reduction. DFID's Competition Assessment Framework complements the PSDS, and helps practitioners in developing countries identify the main constraints to free market operation that otherwise harm consumers and producers.

5.3 Co-operatives can play a role in addressing market failures, in particular the problems of uneven access to information, lack of co-ordination and also 'thin' or 'missing' markets which have very limited outreach to the poor²⁵. Co-operatives tend to operate to longer time frames than other firms and have a different perception of the risks, costs and benefits of expanding markets to include poor consumers. Many co-operatives have been established in response to missing markets, when no other private sector player was willing to invest.

5.4 DFID's White Paper (2009) commits us to promoting a better environment for the private sector, including co-operatives²⁶.

DFID's recently launched Business Innovation Facility will support companies, company-led partnerships and co-operatives in five pilot countries to develop or scale up innovative 'inclusive business' models. The BIF aims to stimulate initiatives which can create jobs, increase incomes and improve the access of the poor to affordable products and service.

6. How to work well with co-operatives

6.1 Donors need to engage strategically with co-operatives as players in a broader market system. We need to be clear how our engagement will improve the performance and profitability of co-operatives and how this will lead to poverty reduction. We need to recognise co-operatives as part of the private sector, and look carefully at their incentives and capacity in order to assess if their business will be viable once our support has ended and if benefits to the poor are sustained through market transactions. It is important that work on sectors such as agriculture, urban development or financial services includes a vision for the role of co-operatives.

6.2 Donors have three key roles in strengthening the contribution of co-operatives to poverty reduction. First donors are well placed to engage with governments to promote a better enabling environment in terms of legal, policy and fiscal frameworks. Second donors can engage at the network level to help strengthen the collaboration between co-operatives. Third donors can develop programmes to help co-operatives be more professional, well governed and profitable businesses, through improved access to finance, capacity building, and opportunities to scale up activities and expand market access.

An enabling legal, policy and fiscal environment

6.3 The main challenge facing many co-operatives is over-control and regulation by government. Co-operatives are often subject to more burdensome regulations than other private sector players with high cost and time burdens associated with setting up a co-operative. A robust enabling legal environment with solid prudential regulation needs to protect democratic member control, autonomy and independence, and voluntary membership. It also needs to ensure simpler registration and reporting processes, and a transparent system for auditing co-operatives. Governments may also provide tax incentives for large scale buyers to trade with co-operatives.

Legal Reform in Mozambique

In April 2009 the Mozambique Parliamentarians greeted the passage of a new law on co-operatives with a standing ovation. The process of legal reform was driven by a network of Mozambican CSOs, with funding from CoopAFRICA, and support from thousands of farmers. Under the new law no minimum initial investment is needed to form a cooperative, thus eliminating a key barrier for rural farmers; the autonomy of cooperatives from government intervention is guaranteed; and the delivery of goods or services to a cooperative are not subject to taxation²⁷.

6.4 Government interference in co-operatives has caused numerous problems: undermining the co-operatives themselves, crowding out other private sector players, deterring investment by the private sector, including co-operatives and failing to provide incentives for innovation that could raise the incomes of producers.

Government price setting for sesame in Tanzania

Sesame farmers in Lindi and Mtwara in Tanzania are currently obliged to sell their harvest to local primary co-operatives at a government determined price. The primaries then sell to state-run Agricultural Marketing Co-operative Unions. Although intended to boost farm-gate prices and protect small holders from market exploitation the system is failing to achieve these objectives. The primary co-operatives bulk all sesame, rather than separating out different coloured varieties - a process which could result in higher earnings for farmers. The system currently removes incentives for buyers and processors to work with farmers to improve quality and productivity.

Strengthening networks

6.5 Donors can play an important role in strengthening the agencies that promote collaboration and provide services to co-operatives. Increased interaction between co-operatives is correlated with improved performance and better governance²⁸.

6.6 Secondary co-operatives (federations or unions) help to increase the performance of primary co-operatives by creating economies of scale for the purchase of inputs and sale of products, helping extend their market access, sharing market information, providing facilities such as storage to reduce wastage and sometimes delivering training. Co-operative networks can help co-operatives to rapidly gain scale and access to deals negotiated at national or international levels which lead to greater profitability.

6.7 Co-operative colleges can be an important source of training for co-operative members. Most provide outreach training and some offer degree courses to develop skills such as management, auditing, marketing and to improve the governance and leadership of co-operatives. A World Bank report proposed co-operative colleges as a key channel for delivering education and training for rural financial co-operatives²⁹.

Moshi University College of Co-operative and Business Studies

Established in 1963, Tanzania's Moshi University College of Co-operative and Business Studies has over 2000 students studying at degree level on its main campus and a network of 18 Regional Centres providing training for co-operatives.

6.8 National co-operative structures, or apex bodies, should represent the voice of co-operatives in engagement with government. However many of them are struggling to play this role effectively after many years of control by governments. Some are starting to make the transition to playing an independent advocacy function – others are still entangled with government. Apex bodies also provide services to members such as legal advice, market information sharing, and generally promoting a more professional approach to business.

The Uganda Co-operative Alliance

The Uganda Co-operative Alliance (UCA) is a good example of an apex body. It is an umbrella organisation and provides high quality support services to cooperatives and other rural producer organisations. UCA is donor funded to implement finance and agribusiness programmes such as the YECCO youth empowerment initiative.

6.9 International networks can also be valuable. The International Co-operative Alliance unites, represents and serves co-operatives worldwide. Some international bodies also represent different sectors, eg the World Council of Credit Unions and the International Co-operative and Mutual insurance Federation. Several donor countries (Canada, Sweden, Norway, USA, Germany) have dedicated co-operative development agencies which help build capacity of the sector and provide match funding³⁰. Within the UN system the International Labour Organisation is the lead agency for co-operatives³¹ and provides technical assistance.

6.10 European co-operatives are also donors and invest more than €100 million in co-operative development work in 80 countries, and the UK Co-operative Bank is in the process of setting up a \$50 million Global Co-operative Development Loan Fund.

Financial Support for Funerals in South Africa

Funerals in South Africa are expensive and can tip the poor into financial crisis. The UK Co-operative movement is providing financial support and technical expertise to informal burial societies in Johannesburg and exploring co-operative solutions to help bring down costs and develop a wider range of services. This innovative partnership also includes the City of Johannesburg which plans to incorporate the co-operative models developed into its local economic development programmes.

Improving the performance of individual co-operatives

6.11 A lack of liquidity is one of the key constraints facing co-operatives.

Donors are responding to this challenge and increasing co-operatives' access to finance in a range of ways: providing revolving loans funds, bank guarantees, or equity capital to increase the capitalization of financial co-operatives; engaging with commercial banks to increase their willingness to lend to co-operatives on good terms; and in some cases providing low interest loans directly to co-operatives to support expansion of their business. In addition capacity building to improve the quality of co-operatives' governance systems can help to reduce the perceived risk of lending to them and making them more 'bankable'.

6.12 The capacity of co-operatives is also key constraint. Co-operative members often have low levels of literacy and little knowledge of their rights and responsibilities. As a result many co-operatives suffer from weak management, governance and business skills. Profitable co-operatives invariably function as demand driven and market oriented businesses which invest in quality management and business development.

6.13 As for so many organisations, elite capture and male domination are common problems. Strengthening co-operatives' capacity with regard to governance and inclusiveness is therefore also critical. In some African countries, 30% of co-operative board seats are reserved for women. The ILO has produced a manual on promoting women's participation in co-operatives³².

6.14 Monitoring and evaluation capacity is often very weak. Since co-operatives are private sector organisations set up to meet the needs of their members they have not generally needed to account to donors and evaluate their impact on poverty reduction.

6.15 Many co-operatives struggle to scale up their activities and expand market access, due to weak capacity, poor access to finance, and lack of information and linkages. Support to networking can help – both within country and through regional and North-South links. Fair Trade certified coffee co-operatives in Ethiopia, Rwanda, and Central America link thousands of smallholder farmers directly into global markets with premium coffee prices. US technical assistance helped two Rwandan co-operatives qualify for Fair Trade, greatly increasing their profits.

6.16 Let co-operatives be co-operatives. It is vital that there is respect for co-operatives' institutional integrity, with their distinctive model of governance and enterprise. Co-operatives can work well both in the informal sector and as businesses operating at scale, and if a co-operative is performing well there is no need to change it into other a business driven by shareholder profits.

References

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DFID, the Department for International Development: leading the UK government's fight against world poverty.

What is international development?

International development is about helping people fight poverty. Thanks to the efforts of governments and people around the world, there are 500 million fewer people living in poverty today than there were 25 years ago. But there is still much more to do.

1.4 billion people still live on less than \$1.25 a day. More needs to happen to increase incomes, settle conflicts, increase opportunities for trade, tackle climate change, improve people's health and their chances to get an education.

Why is the UK government involved?

Each year the UK government helps three million people to lift themselves out of poverty. Ridding the world of poverty is not just morally right, it will make the world a better place for everyone. Problems faced by poor countries affect all of us, including the UK. Britain's fastest growing export markets are in poor countries. Weak government and social exclusion can cause conflict, threatening peace and security around the world. All countries of the world face dangerous climate change together.

The 2009 White Paper, Building our Common Future, set out the UK government's approach to tackling global poverty in the context of the challenges posed by the world recession, climate change and countries affected by conflict or bad governance. The White Paper also renewed the government's commitment to increase UK aid to 0.7% of national income from 2013.

What is the Department for International Development?

The Department for International Development (DFID), leads the UK government's fight against world poverty.

Since its creation in 1997, DFID has helped more than 250 million people lift themselves from poverty and helped 40 million more children to go to primary school. But there is still much to do to help make a fair, safe and sustainable world for all.

Through its network of offices throughout the world, DFID works with governments of developing countries, charities, non-government organisations, businesses and international organisations, like the United Nations, European Commission and the World Bank, to eliminate global poverty and its causes. DFID also responds to overseas emergencies.

DFID's work forms part of a global promise, the eight UN 'Millennium Development Goals', for tackling elements of global poverty by 2015.

What is UKaid?

UKaid is the logo DFID uses to demonstrate how the UK government's development work is improving the lives of the world's poorest people.

Department for International Development

1 Palace Street
London
SW1E 5HE
UK

and at:

Abercrombie House
Eglesham Road
East Kilbride
Glasgow
G75 8EA
UK

Tel: +44 (0)20 7023 0000
Fax: +44 (0)20 7023 0016

Website: www.dfid.gov.uk
Email: enquiry@dfid.gov.uk

Public enquiry point: 0845 3004100
or +44 1355 84 3132 (if you are calling from abroad)

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