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Co-operative Alliance

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Consultation on the Green Paper on the EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy. January 2011

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1. Introduction

Cooperatives Europe welcomes the Green Paper on EU development policy, which strongly underlines the aspect of economic growth, combined with sustainable employment creation and social protection, in order to reach the MDGs by 2015. We agree that the generation of long term and sustainable employment is a central tool for development but want to emphasise that sustainability needs to engage with social and environmental as well as economic aspects.

Cooperatives are indeed committed to economic development, as they are part of the private sector, which is unambiguously stated by the definition of a cooperative: “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”.

This world-wide definition, established by the cooperative movement itself in the “Statement on the Cooperative Identity”, was approved by the majority of states, national employer organizations and national trade union organizations. In 2002, the International Labour organization published the “Recommendation on the Promotion of Cooperatives” (ILO R193/2002), within which the ILO

states that “the promotion of cooperatives should be considered one of the main pillars of economic and social development” and the 2005 UN report (A/60/138) “Cooperatives in Social Development” stresses cooperative contribution to income, employment, social integration and cohesion.

According to the above definition, cooperatives are full-fledged economic organizations. However, their entrepreneurial character is subordinated to the fact that they are associations of persons, putting people and not of capital at the core of their business and that they are jointly owned and democratically controlled by the same persons. Indeed, meeting the long term development needs of local stakeholders is central to the cooperative model. Meeting these aspirations is also key for successful development.

This approach to development is also reflected in the seven cooperative principles, providing a globally consistent framework for Cooperative enterprises.¹ This framework builds a solid foundation which is needed because the cooperative model of enterprise can be found in any entrepreneurial activity, from the traditional economic sectors such as agriculture, fisheries, consumer and financial services, housing, and production to a number of other activities such as social services, environment, car-sharing, child-care, eco-tourism, health and social care, funeral, schools, sports, renewable energies and transport.

There are also different types of cooperatives according to the role of members:

- Producers: individual producers in agriculture, fisheries, crafts, transport, construction, etc.
- Users: consumers, inhabitants, savers and users of credit, users of energy distribution systems, users of social services, etc.
- Workers: industrial or service cooperatives belonging to and controlled by their workers, social cooperatives providing work integration to disadvantaged persons or delivering social services.

The overall resilience of cooperatives to the economic crisis has been studied in a report commissioned by the ILO.² While banks have been at the centre of the crisis, cooperative banks have fared surprisingly well around the world and have generally even increased their deposit and credit market share, as well as the percentage of their tier-one capital.³ Cooperatives in industry and services, mostly being SMEs, have been affected by the crisis like most industrial enterprises, but they have fared better than other enterprises and job destruction has been comparatively modest.⁴

For all these reasons, cooperative enterprises are a major private economic actor in the field of international development. They have a track record as a proven and continuous successful business model for over 100 years, with long established approaches and practices. So, cooperatives are not a new actor in the international development arena, although there is now a great renewal of interest in the cooperative model and their role in development practice and policy.⁵ This paper tries therefore to enrich the debate about how EU can best support developing countries' efforts to reach the MDGs by including cooperative enterprises and their specificities within this process.

¹ The seven cooperative principles are: 1) Voluntary and open membership, 2) Democratic member control, 3) Member economic participation, 4) Autonomy and independence, 5) Education, training and information, 6) Cooperation among cooperatives, 7) Concern for community. Cfr. The “Statement on the cooperative identity”, <http://www.ica.coop/coop/principles.html>

² Birchall J. & Ketilson H.K. Responses to the Global Economic Crisis – Resilience of the Cooperative Business Model in Times of Crisis (Geneva: ILO, 2009)

³ EACB: European cooperative banks in the financial and economic turmoil – first assessments”, Research paper, 2010, p.. 8, at <http://www.eurocoopbanks.coop/GetDocument.aspx?id=f235ed2e-3a13-4ce8-9262-4fcd25df1155>

⁴ See report on www.cicopa.coop

⁵ Ignace Pollet and Patrick Develtere, *Cooperatives and Development - Action speaks louder than words*, IRU Courier 01/04, International Raiffeisen Union.

2. High impact development policy

The high impact development policy stresses the fact that the EU has to demonstrate that its aid programmes will provide the greatest long term impact. Cooperatives Europe welcomes that approach, as effective development needs to be closely linked to sustainability.

This is also the main reason why the project approach has been very much discredited during the last years, and turning to alternative mechanisms favouring rather a long term programming is becoming a necessity. Further, it is common sense nowadays, that high impact on the cooperation agenda can only be reached by taking into consideration that the different actors require also different programming schemes.

There is increasing evidence that the development of many emerging countries can be linked directly to the impact of the cooperative movement, as for example in South Korea or Brazil. In many of these countries, like in many EU countries, cooperatives present a substantial part of the GDP, as also been recognised by the EU, that “healthy economies need a diversity of enterprise forms”.

Furthermore, we emphasise again that high impact can not only be measured simply according to economic indicators; but needs to consider other issues such as the social, environmental, institutional or capital accumulation impacts, the number of people involved, the outreach and capillarity on the territory, or the capacity to move from the informal to the formal sector.

2.1 Putting “High impact” cooperation into practice

In this Green Paper the European Commission outlines the need for programmes to produce leverage on other sources of funding, including the private sector, or mobilising domestic financial resources.

Cooperatives Europe wants to draw attention to the fact that cooperatives and their development agencies are implementers and donors at the same time. A study of European cooperative development agencies in 2008 showed that a great deal of the initiatives which are promoted by the cooperative organizations are supported through national and regional public donors, followed by cooperative self-financing (1 Euro out of 6) and international donors. At present, the EU funds represent a relatively small part in such activities, namely 6%.⁶

The same report shows that a scarce knowledge of cooperatives among the international community, as well as a lack of communication from the cooperative movement to the outside world, can often limit effective partnerships for development. Therefore, Cooperatives Europe contends that there are considerable opportunities for enhancing cooperation and partnerships between cooperatives and other international actors such as EU institutions. We encourage them to engage strategically with cooperatives as players in a broader market system.

2.2 Growth for human development

Cooperatives Europe welcomes the statement that economic growth has to be socially inclusive in order to deliver sustained development benefits. The Green Paper outlines two aspects related to

⁶ Cooperatives Europe, *Development Projects Compendium*, 1st Edition, 2008

human development, the capacity building and education of a person and the possibility of enhanced employment, including in the informal sector.

Cooperatives Europe would like to stress the fact that within a cooperative enterprise, decent employment goes hand in hand with the education and training of the cooperators, and one cannot stand without the other.

Education and training

The fifth cooperative principle, “education, training and information”, highlights that dimension of growth for the human development. It is a commitment to make membership effective and a precondition for being enterprises that are really democratically managed by ordinary citizens; therefore, cooperatives necessarily have to invest important resources and energy on education, in particular on entrepreneurial and management education.

Further, cooperatives cannot survive without education: the more economically complex cooperatives become, the heavier become the legal and financial responsibilities which its members must shoulder, with an increasing need for appropriate training. In fact, cooperatives are learning organisations.

Therefore, organisations such as the World Council of Credit Unions (WOCCU), the International Cooperative Alliance (ICA), the International Labour Organisation (ILO), the Swedish Cooperative Center (SCC), the Cooperative College and many more have also developed specialised training materials. Much of it has been adapted to local contexts and has been translated into local languages. In recent years efforts have been made to evolve from a top-down transfer of knowledge approach to a bottom-up knowledge acquisition approach, which means that the beneficiary has more ownership of the training process: he or she identifies the training needs and gets the choice between varieties of training opportunities.⁷ This approach is combined with the recognition that cooperatives in the south have already institutional capacity for training, and therefore strengthening them should be a priority so as to ensure their wider and more effective impact.

Furthermore, a strong relationship between cooperative enterprises and capacity building institutions can be found in many countries. Existing structures on the ground can provide required and vocational skills to the cooperative enterprises. The German cooperative organisation DGRV runs, for example, joint programs with universities, to give access to university diploma including cooperative modules. The UK Co-operative College works in partnership with ten African Cooperative Colleges to build capacity to extend their provision which already reaches over 10.000 learners in East and Southern Africa.

Informal sector & employment

Training, capacity building and education have indeed a direct link to the fact that cooperatives are also a response to the needs of the local labour markets, including the informal sector. An example to illustrate this has been the cooperation between trade unions and cooperative organisations under the project Syndicoop in East Africa which helped partner organizations to develop their capacities for preparing and implementing local job creation schemes in the context of the informal economy.⁸ Under this project, successful cooperatives of motorcycle taxis have

⁷ Ignace Pollet and Patrick Develtere, *Cooperatives and Development - Action speaks louder than words*, IRU Courier 01/04, International Raiffeisen Union, pp 5-6.

⁸ Cfr ILO Evaluation Summaries, *SYNDICOOP - Poverty reduction among Unprotected Informal Economy Workers through Trade Union – Cooperative Joint Action*, April 2006. www.ica.coop/outofpoverty/documents/Syndicoop_eval.pdf.

been set up in Rwanda. There are many other examples where workers in the informal sector have already formed shared service cooperatives to assist in their self-employment.

A recent study stated, “Creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty”.⁹ Reducing poverty through employment requires mainly two major thrusts: to generate employment and to increase employability. The study argues the need to focus on small and medium sized enterprises, as they are the main engines of job creation; to increase employability, education for youth needs to be the starting point. Cooperatives take a more holistic approach, as they believe that access to decent education is equally important for adult cooperative members such as rural smallholders, as it is for school age children. Central to the development impact of cooperatives, therefore, is their role as places of lifelong learning, education and broad based capacity building programs.

A common assumption of mainstream economic theories is that there are essentially two ways for a person to be a member of the labor force: either as an employee or as self-employed. The latter has been the focus of the microcredit movement, for example, in its aims to help the poor become self-employed. The limitations of this approach have recently been highlighted. A recent World Bank report states, “Tiny loans usually provided under microcredit schemes do not seem to lift large numbers of people out of poverty.”¹⁰ However, the World Bank Development Report 2008 underlines the contribution that cooperatives make to job creation and in providing options for producers to organise, have a voice and improve their livelihoods.

In addition to the two basic employment models mentioned above (employed and self-employed), the cooperative movement has also developed along a third one, called “worker ownership”, by which the members-owners of the enterprise are, mainly or totally, the latter’s own staff. This third form of employment is particularly common in cooperatives involved in industrial and service activities, and has proven its strong entrepreneurial sustainability in all parts of the world, in different local contexts, and in different enterprise creation scenarios (start-ups, transformation into cooperatives of enterprises in crisis or without heir, transformation of public services into cooperatives, integration through work of disadvantaged and vulnerable groups, etc), making it a particularly interesting model in local development.

When talking about the world’s poorest people, the importance of the cooperative model of enterprise also needs to be considered as it assists them to access to employment and market opportunities. As the uneven effects of globalisation have led to a rise in the unregulated informal economy, workers in the informal sector have already formed shared service cooperatives to assist in their self-employment. The World Bank report discusses the extent of employment provided by agricultural cooperatives such as the example of India where 100.000 dairy cooperatives collect 16.5 million liters of milk from 12 million farmer members every day, making a significant contribution to India’s food supply. Globally, cooperatively organised farmers are the primary way by which smallholder farmers get access to markets.

Gender

Cooperatives can contribute also significantly to the promotion of gender equality, thus including women in socio-economic life, providing them with decent work opportunities and enhancing their empowerment. Cooperatives promote women’s capabilities and capacity building through training and leadership programs, and thereby contribute to foster women’s advancement and access to tangible and intangible assets. In many developing countries, cooperatives enable women

⁹ Cfr. Aneel G. Karnani, *Reducing poverty through employment*, Stephen M. Ross School of Business, Working Paper No 1132, 2009, pp 39.

¹⁰ Cfr. World Bank Report, *Moving out of Poverty: Success from the Bottom Up*. World Bank, Washington, D.C.,2009.

therefore to expand their basic capabilities, such as being adequately nourished, sheltered, and educated. Cooperatives have been a mean for millions of women to experience self-empowerment and entrepreneurship, improving their living conditions and the one of their families and communities.

2.3 Promoting Governance

In this Green Paper the European Commission stresses the need for promoting democratic governance and the key role that the promotion of transparency, accountability and participation in decision-making should have. Further, it tackles the question on how the EU can adapt its approach in support of governance reforms in developing countries.

Cooperatives Europe would like to underline the importance that active participation detains for cooperative enterprises, as democratic governance is embedded in all their functioning. As democracy starts from the bottom, cooperatives can be an effective tool to get people involved in a participatory democratic process. The enabling environment, which includes the recognition by the governments of the specific actors, is crucial for the development of cooperatives.

Democratic governance

One general advantage of a cooperative is derived from its membership characteristic. The members of the cooperative have a double identity: on the one hand, they are joint owners, and, as such, exert democratic control and democratic management over their enterprise. Individual grassroots cooperatives are regulated by internal governance processes which are strictly based on the “one person one vote” system. A cooperative’s objective is not profit, but to provide benefits to its members, which has a clear impact on its business decisions.

The democratic governance of cooperatives helps to create a distinct entrepreneurial dynamic. This goes far beyond the voting system within a General Assembly, but affects the daily management of the enterprise, as systems of checks and balances are implemented to guarantee real democratic governance of the business.

Therefore, the role of cooperatives having democratic structures and decision-making procedures is crucial for the enhancement of democratic ownership, as they transpose it from the workplace to the community. Cooperatives are thereby a key vehicle for building up democratic awareness and practical know-how of an active participatory behaviour.

Governance reforms in developing countries

Nowadays, the main challenge facing many cooperatives in the developing world derives from a legacy of state control and an unfavourable legal environment. The requirements for setting up a cooperative, for example, are often subject to burdensome regulations with associated high cost and time loads. To function well, cooperatives do need a robust enabling legal environment with solid prudential regulation which also needs to protect democratic member control, autonomy and independence, as well as voluntary membership. This legal framework in many countries needs to adopt simpler and transparent registration, auditing and reporting processes.

Cooperatives Europe invites therefore the European institutions, along with the recently decentralisation of aid to EU Delegations, to promote dialogue on governance at both local level and in the international arena with the different development actors and concerned local authorities and governments. The creation and institutionalisation of dialogue opportunities, with

clear objectives, could thereby enable win-win results for all actors, enhance mutual understanding and generate political will to create change and favour regulations permitting an autonomous cooperative development.

3. Development policy as a catalyst for inclusive and sustainable growth

The Green Paper emphasizes the efforts which should be undertaken to support partner countries growth and in particular to help create an environment that is friendly to sustainable and inclusive growth, enabling these countries to pull themselves out of poverty.

Cooperatives have an abundant history of opening access to markets and providing essential services. Cooperatives allow the community residents, workers or members, to be entrepreneurs and owners jointly and to keep the enterprise strongly anchored at local level, where social and political participation is strongest. By enhancing local resources and potential and by reinvesting their surpluses, cooperatives play a pivotal role in the communities where they are based.

This lends also to a wider definition of inclusive growth, which stands not only for the inclusion of people and isolated communities, but also of regions endangered by socio-economic desertification or suffering from other disadvantages, as cooperatives are able to maintain key activities in these regions thanks to their strong local anchors.

3.1 Partnerships for inclusive growth

The Green Paper supports the idea of a need to attract and retain domestic and foreign investments, which have a transparent and non-discriminatory business environment, combined with the existence of market opportunities as a precondition. Furthermore, Cooperatives Europe considers that besides the main joint strategies and priorities proposed, the strengthening of local economic organisations (i.e. micro-entrepreneurs, small enterprises and other local rooted enterprises, as cooperatives) should be more clearly taken into account. These local organisations are a key actor in fostering local development projects and providing social services in disadvantaged and rural areas in many countries.

As enterprises, cooperatives provide an important driver for inclusive growth. They operate in most sectors of economic activity and can deliver services and products at any size. Cooperatives have a proven track record in poverty alleviation and, if properly supported, have the potential to make a more significant contribution in the future.

When it comes to dialogue shaping the content of the development agenda, Cooperatives Europe welcomes the idea of a permanent and structured dialogue. A regular dialogue with the Non-State Actors needs to be sustained, aiming at reaching consensus on the challenges ahead and the areas most in need of change. As cooperatives, along with the other civil society organisations, are a specific actor, this dialogue should be collective, but also individualised, as there are no “one size fits all” strategies, programming and support mechanisms.

Promoting and supporting productive and sustainable investments

Departing from an active and locally-based bottom-up dynamic, cooperatives are characterized by a strong link between the enterprise on the one hand, and the territory and the people working nearby on the other hand, thus concurring in the creation of a trust relation. The cooperative form provides everybody with the opportunity to associate with others, gain competences and solve

problems or address needs, through an instrument which they jointly own. This makes it an especially viable entrepreneurial option.

Because of this strong locally anchored aspect, cooperatives are key local agents of capital accumulation, through the systematic and continuous construction of reserves geared to a long-term vision of the enterprise. Indeed, no economically sustainable development is possible without capital accumulation, but which stays unlike in other enterprises, within the local community, namely within the members community. Therefore, a cooperative is a mean to assure that the widest possible range of local citizens is concerned.

Cooperatives Europe would like to suggest therefore, that a clear indicator of program success should be in any case the evidence of community support 'on the ground' for the program. How this can specifically be measured has of course to be determined case by case, but it gives a more relevant indicator of success which implies also long term sustainability, as local communities are the ones which have to carry on a program.

Access to capital and affordable credit

The limitations for many small and medium sized enterprises in securing credit are well documented. Micro credit facilities can provide some assistance for micro enterprise development but there is a growing recognition of the finance needs of the "missing middle"; this is an entire segment of small, growing businesses that local banks see as too risky because they lack collateral, experience and track record.¹¹ Without access to training and finance, these companies hit a glass ceiling, and developing countries miss a major – if not the major – engine of economic growth and employment provision.

There is no doubt that microfinance institutions have been successful in many cases in fostering household-level innovation; nevertheless, some recent research has identified that many cooperatives are in the 'missing middle' as their capital needs are significantly greater. In many cases, cooperatives have not been able to access commercial loans at affordable rates, which can put them at a severe market disadvantage.

A survey recently undertaken within the cooperative development agencies showed that one of their most important activities is actually financial support, trying to cover that missing-middle. More and more, new financial instruments need to be developed and used – such as revolving funds, loans, equity capital or guarantees – to fill that gap.¹²

It was also the cooperative model which originally developed viable financial models for rural farmers and poor people which reshaped completely the landscape of access to finance in the nineteenth century. The pioneer of this was the German Raiffeisen/Schulze-Delitzsch model; though today only few micro-finance practitioners are aware of the 150 years history of cooperative micro finance, lifting millions of people out of poverty. Credit-cooperatives pool the financial resources of their members in both rural and urban areas. These communities, confronted with pressing needs for affordable savings and credit, find a solution actually in their own determination to work together and solve their own financial problems and they do so by using this well-tested and replicable model of credit cooperatives. Today the cooperative movement is able to provide a full range of financial services adapted to local needs including savings and micro insurance as well as non-banking financial instruments.

¹¹ Cfr. Chris West, *The missing middle to drive sustainable growth*, Shell foundation, 2008.

¹² CERA, *Cooperatives and development*,

However, there is still much need for further development and financial support for many cooperatives. Cooperatives Europe suggests that EU institutions, development banks and financial institutions need to consider joining efforts to support the growth of cooperatives and SMEs – especially in their start-up phase as well to address the challenge of the “missing middle”. Furthermore, there is the possibility of leveraging the contribution of funds from the cooperative movement with loan capital from the EU or joint credit lines with European Investment banks.

Legal and regulatory framework

As mentioned earlier a major constraint to cooperative development in many countries is the poor enabling environment; either due to restrictive laws and regulations stem from the legacy of state control or, in some cases, the complete absence of a cooperative legal framework. The negative impact upon the autonomy and business performance of cooperatives of the lack of an enabling environment cannot be over emphasised.

In some cases, cooperatives federations and agencies provide assistance to their members in the drafting of cooperative legislation or finance a reflection process within the cooperative sector on the cooperative-state relationship. They also provide technical advice to governments for the redrafting of cooperative laws. For example, the ILO has a documentation centre on cooperative legislation that contains the cooperative acts of the great majority of ILO Member States, along with a database containing a selection of modern cooperative laws in full text published for consultation on the Internet.

For example, cooperatives and cooperative organisations have played a positive role in several parts of the world, including in Europe, but also in other world regions eg Mercosur, Central America, ASEAN, where specific sub-regional cooperative organisations exist. Cooperative organisations in Mercosur have been working on the issue of a Mercosur cooperative law and on transborder cooperation among cooperatives.

Hence, EU institutions can also support the promotion of an enabling legal environment by inviting Civil Society Organisations to the dialogue between the European Commission, its Delegations and partner governments and make it tripartite on legal issues concerning the cooperative development, to guarantee effective legal frameworks.

Innovation

The Commission underlines the role scientific and technological cooperation and capacity-building, innovation and new technologies can play in fast-tracking inclusive growth and lifting people out of poverty. In this sense the benefits of partnerships between cooperatives from developed and developing countries need to be emphasized. Cooperatives from developed countries already play a crucial role in sharing their know-how through training and innovation in enterprise development. This role could be enhanced further via the development of innovative knowledge exchange schemes and related programmes.

Cooperatives have been innovative, for example, in developing fair trade markets and ethically managed supply chains. The global nature of the movement offers further opportunities for the development of these different types of partnerships among enterprises and Cooperatives Europe suggests more support is needed to scale up these initiatives.

Decent work and social protection

Cooperatives Europe shares the Commission's view that the employment and growth agenda must include the criteria of decent work. Because of their values, principles, ethics and business competence, cooperatives constitute an advantage for members and for the communities in which they operate. They set industry standards by putting into practice their values and ethics, and therefore Corporate Social Responsibility is inherent, as an enterprise committing itself to a list of principles cannot use CSR only as a marketing tool for a specific layer of its activity.

The fact that it is mandatory for a cooperative to function according to a set of rules, values and principles, resulted in the fact that in some countries, cooperatives are seen as more trustworthy than traditional companies and corporations. In others, cooperatives are considered as leaders in promoting food safety and security, in protecting the environment, and in providing decent employment. Both underline the social, economic and environmental sustainability of cooperatives.

Sustainable employment, as promoted by cooperatives, is fundamental in generating long-term territorial development. Indeed, sustainable employment allows the distribution of locally generated wealth. In order to generate wealth, sustainable employment requires the existence of economically, socially and environmentally sustainable enterprises, namely enterprises which have a strategy of anticipation and foresight in developing goods and services, and privileging rates of profitability that do not jeopardize their long term expansion. Enterprises with such strategy are particularly fit to contribute to the aggregate wealth of the territories in which they are embedded. Consequently, promoting sustainable employment is also one of the most fundamental ways to do development and prevent and combat poverty and exclusion. Indeed, poverty is increasingly linked to unemployment and precarious forms of employment.

3.2 Fostering regional integration; continuing to ensure trade for development

The European Commission emphasizes the fact that the key to growth and development in the European Union started with an integrated, vibrant and regional market. In the developing world, a similar process is emerging, but at a much earlier stage of development.

In most developing countries, cooperatives provide a mechanism enabling small producers to access markets and capture more of the value chain. They have played this vital role, for example, for the vast majority of small producers who now benefit from access to Fair Trade markets. This is the case in the UK where 85% of all fair-trade products sold there are provided by cooperatives.

In cases where pooling the resources of its members is not sufficient for a cooperative to get market access, cooperative agencies or donors can play an important role in strengthening the organisations that promote collaboration and provide services to these cooperatives. Increased interaction between cooperatives is correlated with improved performance: for example secondary cooperatives (federations, unions, horizontal cooperative regroupings or apex organisations) help to increase the performance of primary cooperatives by creating economies of scale for the purchase of inputs and sale of products, helping extend their market access, sharing market information, introducing organic agriculture and providing facilities such as storage to reduce wastage. Cooperative networks can therefore help cooperative enterprises to rapidly gain scale and access to deals negotiated at national or international levels, which lead to greater profitability for the local community. In that sense, consumer cooperatives have actually been pioneers in promoting and mainstreaming Fair Trade products in the EU retail market, as their actions and vision are deeply rooted in the principles of responsibility and solidarity, shared by the whole Fair Trade concept.

Cooperatives Europe invites therefore the European institutions to take into consideration the necessity to engage also directly with the cooperative networks. Strengthening networks allows “on the ground activities” to grow beyond a certain stage and reach the next level of market integration.

4. Sustainable development, a new driver

Cooperatives Europe shares the European Commission’s point of view that access to sustainable energy for all citizens is a key issue. Cooperatives believe that there is a need to invest in a sustainable economic development plan based on renewable energy infrastructure.

Cooperative enterprises have been defending citizens’ interests: they have been providing services in areas where neither public nor the classic private entities could act. Cooperatives have shown that they are able to adapt to the context evolutions and to provide state of the art solutions to citizens’ needs.

The smooth and equal management of energy can only be guaranteed by a model of enterprise defending the collective interest without renouncing to the efficiency of the private form or enterprise. In regions or countries with scarce access to energy resources, the democratisation of the energy ownership and production through the creation of peer-to-peer shared renewable energy facilities should be considered as a model of access to sustainable energy. The fact that cooperatives are deeply anchored in their local community often allows them to create partnerships with local administrators and other stakeholders for the creation of such a decentralized model of energy production-distribution-consumption.

Cooperatives Europe wants to draw the attention that the cooperative ownership can have several advantages; a recent study on the scheme for the promotion of renewable energies in developing countries states that as the power producing cooperative enterprise is owned by the customers, it doesn’t require any specific profit and their energy comes generally cheaper than that generated by an independent power producer.¹³ In Bangladesh and the Phillipines, a cooperative model for electricity distribution has been successfully adopted. Such models can also help to reduce the contradiction between economic efficiency and environmental protection.

5. Agricultures and food security

The World Food Summit in 1996 defined food security as follows: “Food Security exists when all the people, at all times, have the physical and economic access to sufficient, safe, nutritious food for a healthy and active life.” It entails four main components:

1. Availability of food, which is a necessary but not sufficient condition for food security.
2. Physical access to food, which stresses the role of distances, infrastructures, transportations.
3. Economic access, which depends on the economic condition of the household or individual.
4. Utilization, which focuses on different dietary needs of people, methods to cook food, and cultural acceptability of certain types of food.

Agricultural, producer and consumer cooperatives are recognised for their crucial role in contributing to assure food security and food safety, first of all increasing food availability,

¹³ M. Moner-Girona, *A New Scheme for the Promotion of Renewable Energies in Developing Countries: The Renewable Energy Regulated Purchase Tariff*, European Commission. http://www.energy.eu/publications/LDNA23284ENC_002.pdf

improving the physical access to food and enabling members' households to increase their purchasing power.

In rural areas people which are mainly employed by informal contracts in the primary sector can associate and start-up an agricultural or producer cooperative so that they can take advantage of economic opportunities thanks to a higher bargaining power. In fact, cooperatives enable farmers to pool limited resources to enhance earnings capacity through lower input and credit costs and better marketing of products. Agricultural cooperatives constitute a vital institution for rural development, as they often constitute the most important form of entrepreneurship in rural areas.

Furthermore, the improvement of the primary sector in rural areas affects positively urban areas. An increase in food supply can satisfy also urban demand for food and simultaneously could increase urban employment related to primary sector – for example in the retail sector. In fact, consumer cooperatives usually provide members with food of higher quality and lower prices and above all, when they are established in isolated areas, they guarantee food availability, that is a precondition of food security.

Agriculture plays a pivotal role in development policies. A development policy should focus on improving local food production, distribution and access capacity. However, for an improved access to food, not only more locally produced food is needed, but even more critical, is the need for a balanced food supply chain as only a transparent and balanced food supply chain can provide a viable economic environment for farmers. Such measures should stimulate farmers not only to produce, but also to facilitate their positioning on the market and promote concentration of supply. Furthermore, measures should also promote the economical organisation of producers, enabling them to move further in the food chain and get a fairer share of the added value.

Training courses provided to members improve members' knowledge regarding nutrition, and often it implies the adoption of better diet into the households. With this regard, it is important to underline that promoting women's participation and empowerment, cooperatives are indirectly also contributing to improve household food security, since it is broadly recognised women's role in household food security.

6. Final remarks

The Green Paper, in the introduction, rightly points out that a 1% increase in GDP can have a very efficient impact on a country's development and that EU efforts should go in that direction. Cooperatives Europe agree with this view and points out that, given that, in many countries, cooperatives stand for 5% of GDP or more, a 1% increase of a country's GDP can be attained by promoting the growth of the cooperative system by 20%. Considering the specific impact of the cooperative system in terms of outreach, capillarity, capacity to involve and benefit a high share of a country's population, capacity to offer a transition from the informal to the formal sector, capacity to revive enterprises in crisis, insert marginalised groups and provide services of general interest, etc. as mentioned above, this 1% increase of GDP can have a particularly strong developmental impact.

This paper showed how cooperatives can contribute to the achievement of the MDGs by 2015 because of their inherent characteristics: cooperatives are economic associations, providing the opportunity for poor people to raise their incomes and empowering them to own their own solutions. Cooperatives are democracies with each member having one vote, they dispose on education practices and because they pool risks at the level of the enterprise they increase security. Above that, there is increasing evidence indicating that cooperatives also contribute

directly and indirectly to meeting several of the other MDGs, such as primary education for children or gender equality.

Therefore, Cooperatives Europe welcomes the European Commission's public consultation; we are convinced that cooperatives can play a key role in the EU development policy and we wish to take part in any further reflection on this issue.

Brussels, 10th January 2011
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