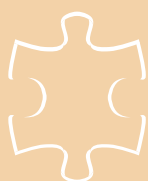


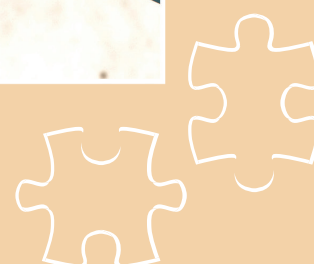


International
Labour
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Caribbean



Caribbean Cooperative
Management Training
Programmes



Module 1

WHAT IS A COOPERATIVE ENTERPRISE



International
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Caribbean



Caribbean Cooperative Management
Training Programme

WHAT IS A COOPERATIVE ENTERPRISE

For the English-speaking Caribbean

In preparing this training module, several ILO training packages were used, including My.COOP (Managing your Agricultural Cooperatives), SYB (Start Your Business) and SIYB (Start and Improve Your Business).

IMPORTANT ORGANIZATIONS

International Cooperative Alliance

The International Co-operative Alliance (ICA) is an independent non-governmental organization established to unite, represent and serve cooperatives worldwide. Founded in London in 1895, it was based there until 1982 when it relocated to Geneva, Switzerland. The ICA provides a global voice and forum for knowledge, expertise and coordinated action for and about cooperatives.

The ICA's members are international and national cooperative organizations from all sectors of the economy including agriculture, banking, consumer, fisheries, health, housing, insurance and workers. The ICA represents close to 1 billion individual members. These statistics are calculated from the subscription formula on the ICA's 272 member organizations from 94 countries (as of 20 October 2013). On this basis, the global representative body for cooperatives is one of the largest non-governmental organizations in the world today by the number of people it represents, according to available figures. The ICA holds a consultative status in the General Assembly of the United Nations (ICA, n.d.).

Immediately after its founding, the ICA adopted the Rochdale Cooperative Principles (with a few changes) as the basis for all cooperatives worldwide. These principles have been revised three times since then, the latest being in 1995 when its General Assembly also adopted a definition and a values statement to go with the principles (see section 2.2 of this Module). Many countries have included these principles in their cooperative legislation.

International Labour Organization

The International Labour Organization (ILO) is the only United Nations organization with a clear mandate to work on cooperatives. It has been serving the ILO constituents and the cooperative movement since its establishment in 1920, just a year after the ILO was founded in 1919. Over the years the Cooperatives Unit has specialized in helping the ILO improve its policies and legal infrastructures for cooperatives and build the capacity of national cooperative apex organizations through technical cooperation projects, training and consultancy services.

The ILO has an important policy instrument in the Promotion of Cooperatives Recommendation, 2002 (No. 193), which has been used by more than 75 member States as a guideline in formulating new policies and laws or in revising the existing ones. This Module, along with the subsequent Modules 2 and 3 in this package, is an example of such adaption for the region.

The ILO views cooperatives as important in improving the living and working conditions of women and men globally, as well as making essential infrastructure and services available even in areas neglected by the state and investor-driven enterprises.

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- ☐ Mr. Guy Tchami
- ☐ Mr. Husevin Polat
- ☐ Ms. Coumba Diop

GLOSSARY OF TERMS

Autonomous – existing or acting separately from other things or people

Capital – *money, property, etc. used to start a business*

Democratic – *based on a form of government in which the people choose leaders by voting: of or relating to democracy)*

Dividend – *an amount of profits paid out to people who have ownership (shares) in a company*

Equitable – *just or fair; dealing fairly and equally with everyone*

Patronage – money and support that is given for buying goods and services from a business

Share – *any of the equal parts into which the ownership of a property or business is divided*

Surplus – an amount (such as an amount of money) that is more than the amount that is needed

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1

INTRODUCTION

1 INTRODUCTION

The ILO currently has a number of training packages and tools at its disposal that are used to educate promote entrepreneurship and enterprise development. Among these tools are the Know about Business (KAB), My.COOP (training on the management of agricultural cooperatives), Start and Improve Your Business (SIYB) and MATCOM (training on the management of cooperatives).

Largely inspired by SIYB, the ILO's global entrepreneurship and management training programme for potential start ups and existing small businesses, the ILO has developed a training package on cooperatives that is intended for groups, individuals and business development support providers with limited knowledge of cooperative enterprise in the Caribbean. The package herein consists of three modules providing the fundamentals on setting up a cooperative enterprise in the context of the English-speaking Caribbean region, including:

- Module 1 - What is a Cooperative Enterprise?
- Module 2 - Starting a Cooperative Enterprise
- Module 3 - Cooperative Organization & Management (and a trainer's manual)

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This package is designed to benefit women and men interested learning more about the cooperative model, organizations and individuals that support the formation or strengthening of cooperative enterprises as well as management and volunteers of cooperatives.

1.1 Purpose of the module

The purpose of Module 1 is to help the reader understand the history, evolution and continued relevance of the cooperative enterprise as a viable alternative to other forms of business enterprises. At the end of Module 1, the user will be able to understand and explain:

- What a cooperative is, its principles and values;
- The history and relevance of cooperatives in the Caribbean and around the world;
- The difference between a cooperative organization and other types of organizations;
- Advantages and Challenges faced by cooperatives
- How cooperatives influence sustainable community and economic development.



2

**THE COOPERATIVE
IDENTITY**

2 THE COOPERATIVE IDENTITY

2.1 Definition of a cooperative

In accordance with the International Co-operative Alliance (ICA), and later adopted by the International Labour Organization (ILO) under the Promotion of Cooperatives Recommendation, 2001 (193), “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”.

The word cooperative is derived from the word cooperate which means to work or act together or jointly for a common purpose or benefit.

In this definition, the following points highlight the unique characteristics required for an enterprise to be classified as a cooperative enterprise:

- Autonomous - Independence and organization base of the enterprise;
- Volunteerism - Open membership;
- Common needs – People come together to fulfil a mutual need;
- Ownership - Members are owners (not merely customers or workers) of the enterprise and should invest wisely in its growth;
- Democratic control - Each member is given a single vote regardless of contribution/wealth;
- Enterprise - A cooperative is not only an association of people, but also a business enterprise.

2.2 Global recognition

It had become clear to the ILO that the new global dispensation required cooperatives to become more competitive in order to continue promoting decent work for all members while strengthening their own self-sustainability. To respond to this global challenge, the International Labour Conference adopted the Promotion of Cooperatives Recommendation, 2002 (No. 193), replacing The Role of Cooperatives in the Economic and Social Development of Developing Countries, 1966 (No. 127). In its most basic form, R.193 provides guidelines on the governments to develop and implement policy framework favourable to cooperatives and highlights the roles for workers’ and employers’ organizations in the promotion of cooperatives.

Recommendation No. 193 recognizes that:

- Cooperatives operate in all sectors of a nation’s economy;
- Cooperatives perform an important role in job creation, mobilizing resources and generating investment, thereby making significant contributions to the economy;
- Cooperatives in their various forms promote the fullest participation in the economic and social development of all people; and
- Globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization.

2.3 International cooperative values and principles

Cooperatives are principle-based enterprises that put people, rather than the pursuit of profit, at the

centre of their business. Because of this they follow a broader set of values than those associated purely with making a profit namely; ethical values of honesty, openness, social responsibility and caring for others in order to enhance the social and economic wellbeing of their members. The democratic nature of cooperative enterprise encourages participation, broadens ownership and fosters empowerment of youth.

Cooperative enterprises are governed by universally accepted guidelines or principles that are among the features that distinguish them from other types of enterprises, such as partnerships and limited liability companies. (Discussed further in Chapter 2.5). To understand cooperatives and how they operate, it is important to understand these universal principles. Many cooperatives fail because the members and elected officers do not take the time to understand cooperative guiding principles.

Below is the official international text of the Cooperative Principles as outlined in the International Co-operative Alliance's Statement of the Cooperative Identity (1995) along with guidelines by which cooperatives put their values into practise?

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, religious or other forms of discrimination.

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 member-ship. All members have an equal say at cooperative general meetings and in elections for the committee that appoints the manager and oversees the running of the cooperative. Members also have the ability to let their name stand to serve as an elected official of the cooperative, unlike a customer of a traditional business enterprise

Voting rights go with membership, not with the amount of money invested (as would happen in a shareholder-owned company). The rule is 'one member one vote'. To become a member, one must usually buy at least one share, but extra shares do not give a person more votes.

3rd Principle: Member Economic Participation

Members are both users and owners who contribute equitably to, and democratically control the capital of their cooperative. Each member is required to purchase a share, which provides access to goods and services. Unlike a conventional company where profits are distributed in proportion to the number of shares a person owns, cooperatives

distribute surpluses to members in proportion to their transactions with the cooperative thus, members who have done more business with the cooperative will receive a correspondingly larger share of the profits.

Surpluses are also reinvested back into the cooperative to expand and grow operations, a decision made by members at the annual general meeting. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, 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.

Cooperatives do not want to be dominated by governments. Unfortunately, particularly in less developed countries, this occurs to some extent. Governments, even with good intentions, have tended to influence cooperatives, either by directing them to conform to government policies or by giving government officials the authority to intervene in cooperatives' affairs, especially where cooperative members' investments are compromised.

While such interventions may be necessary for a while, it should not prevent cooperatives from operating as autonomous organizations. Ideally, formulation of cooperative development policies and laws should entail a participatory process and a proactive posture in which government work in close consultation and collaboration with the cooperative movement and other stakeholders.

5th Principle: Education, Training and Information

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.

Because cooperatives exist to encourage the development of people, ongoing education of their members, training for volunteers and staff and information for the general public should be key items of annual expenditure. Cooperatives exist to encourage the development of people. Training programmes can be used to improve and develop skills

of the members on topics such as healthy lifestyles, financial literacy, home ownership, business skills, sales and marketing, understanding the law, public speaking, healthy living and meeting procedures.

Effective communication with members and potential members on a regular basis will broaden members' and public perspectives on the cooperative, will change attitudes and build loyalty.

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.

To some co-operators, this principle may seem in contradiction with a view of the early movement of a 'small is better' philosophy believing that cooperatives were somehow meant to be small in scale and operations in order to fulfil its mandate to members. Cooperation among cooperatives is not just a guiding principle but is becoming an imperative at the local, regional and international levels in order to strengthen the sector, increase buying power and ensure enterprise viability.

Although each cooperative has its own identity, cooperatives usually come together to form secondary bodies (associations or leagues) and tertiary bodies (federations or confederations) to represent the interests of member cooperatives and advocate on their behalf. In some Caribbean states, the Agricultural Cooperative Association ensures that the authorities provide the necessary infrastructural support and access roads for agricultural cooperatives to grow and flourish. The Consumer Cooperative Association will make representation on behalf of its members to combat unfair dumping practices by larger competitors which results in lower prices and limited market access for smaller, local enterprises.

7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members. Cooperatives are founded on strong human values; they do not just selfishly pursue their own interests at all costs. Even where not all the members of the local community are members of the cooperative, the cooperative should consider the needs of the non-members when they can. The cooperative can play a constructive role in the social and economic life of its local community. A cooperative should take the lead in promoting care for the environment and the needs of disadvantaged groups within the community.

2.4 Cooperative advantages

Examples of different types of cooperatives highlighted in this module demonstrate how the cooperative model can impact lives, revitalize communities and transform local economies. We will conclude this chapter with a summary of the advantages and challenges faced by this important form of community enterprise.

a) Economies of scale

Cooperatives can be an effective system for developing the skills and resources of relatively unskilled or disadvantaged people. The members can learn how to pool their resources and how to help one another set up a commonly-owned business so that together they can address needs which they otherwise could not meet as individuals because it would be too difficult or expensive. Cooperatives can also be effective in promoting personal development and in creating wealth, while sharing and strengthening diverse skills.

b) Contributing to poverty reduction

Cooperatives can be effective in reducing poverty because:

- they provide common services which would have been costly if carried out by individual members,
- if they operate efficiently they provide goods and services at competitive prices, thus saving the member some money,
- some cooperatives provide credit to members which enable them to improve production and increase their incomes, and
- the returns accruing from the cooperative business revert to members either in cash or in kind.

c) Employment creation

Cooperatives help create employment with employing million of people around the world. Producer, Consumer or Worker cooperatives have demonstrated capacity for creating jobs in their respective economies. Consider, for example, the number of jobs created and saved by credit unions with over 50% of their portfolio in productive sector loans; and to jobs retained along the value chain by buoyant fisher and fruit processing cooperatives. This demonstrated capacity for employment creation is crucial for poverty reduction strategies and therefore the social safety net. In addition to creating employment for their members and members' workers, cooperatives also employ people directly as managers, accountants, technicians, administrators, lawyers, auditors and business consultants.

d) Gender equality

Cooperatives provide a voice and a vehicle for economic opportunities for women otherwise disenfranchised and provided with few opportunities to break the cycle of poverty. Cooperatives are sometimes the only avenue for women to gain education and training in order to create employment opportunities and raise the standard of living for themselves and their families.

e) Youth empowerment

Cooperatives provide essential life skills by teaching and engaging young people on topics such as money management, the importance of savings, and the power of compound interest. They also learn about important values and principles including democracy,

inclusion, honesty and fairness. Cooperatives help shape and prepare global leaders of tomorrow.

f) Business development

Cooperatives provide opportunities for very ordinary people to engage in business activities – people who, as individuals, would never have been able to do so due to real economic costs. Participation in the cooperative pool enables them to reap economic benefits and to acquire new knowledge and skills in marketing, production, understanding financial statements, organization and leadership which they can apply in their private and other business lives.

Now that you have reviewed the Seven Principles of the cooperative movement and have been provided with a glimpse of these in action, you may be inspired to pursue the start up of your own cooperative...not so fast! Before you jump in, let us learn what distinguishes this form of enterprise from other forms of business structures.

2.5 How a cooperative differs from other forms of business

In determining whether the cooperative is the right structure, it is important to have an understanding of the advantages and disadvantages of the various forms of business structures. It is recommended that a review of the local business and taxation laws and regulations be done when comparing cooperatives with other forms of business structures.

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This module will highlight the advantages and disadvantages of the following three forms of business structures with cooperatives:

- Sole proprietor (single owner);
- Partnership (several single owners joining together); and
- Company (either a private company owned by a group of people, such as a family, or a public company where members of the public can buy shares and become part-owners).

a) Sole proprietorship

With this type of business organization, a person is the sole owner and fully responsible for all debts and obligations related to that person's business. All profits are the owners' to keep. Because the owner is personally liable, a creditor can make a claim against the owner's personal as well as business assets in order to satisfy any debts.

Advantages

- Easy and inexpensive to register;
- Regulatory burden is generally light;
- Owner has direct control of decision making;
- Minimal working capital required for start-up;
- Subject to local tax laws, there may be tax advantages if the business is not doing well (for example, deducting losses from the owner's personal income, and a lower tax bracket when profits are low);
- All profits go to the owner directly.

Disadvantages

- Unlimited liability (if the owner has business debts, claims can be made against their personal assets to pay them off);
- Income is taxable at the owner's personal rate and, if the business is profitable, this could put the owner in a higher tax bracket;
- Lack of continuity for the business if the owner is unavailable;
- Can be difficult to raise capital as an individual owner.

b) Partnership

A partnership is a non-incorporated business that is created between two or more people. In a partnership, the financial resources of the business partners are combined and put into the business. The partners would then share in the profits of the business according to any legal agreement that has been drawn up.

In a general partnership, each partner is jointly liable for the debts of the partnership. In a limited partnership, a person can contribute to the business without being involved in its operations. A limited liability partnership is usually only available to a group of professionals, such as lawyers, accountants or doctors.

When establishing a partnership, a partnership agreement should be put in place. This is important because it establishes the terms of the partnership and can help avoid disputes later on. Hiring a lawyer or other legal professional to help draw up a partnership agreement will save time and protect each partners' interests.

Advantages

- Fairly easy and inexpensive to form a partnership;
- Start-up costs are shared equally between partners;
- Equal share in the management, profits and assets;
- Tax advantage — if income from the partnership is low or loses money (the partners include their shares of the partnership in their individual tax returns).

Disadvantages

- There is no legal difference between the owner and their business;
- Unlimited liability (if the owner has business debts, personal assets can be used to pay off the debt);
- Can be difficult to find a suitable partner(s);
- Possible development of conflict between partners;
- Each partner is held financially responsible for business decisions made by the other partner(s); for example, contracts that are broken.

c) Corporation

Another type of business structure is a corporation. Incorporation can be done at the national or territorial level. When a business is incorporated, it is considered to be a legal entity that is separate from its shareholders. As a shareholder of a corporation, the owner will not be personally liable for the debts, obligations or acts of the corporation. It is always wise to seek legal advice before incorporating.

Advantages

- Limited liability;
- Ownership is transferable;
- Continuous existence;
- Separate legal entity;
- Easier to raise capital than it might be with other business structures;
- Possible tax advantage as taxes may be lower for an incorporated business.

Disadvantages

- A corporation is closely regulated;
- More expensive to set up a corporation than other business forms;
- Extensive corporate records required, including documentation filed annually with the government;
- Possible conflict between shareholders and directors;
- Proof of residency or citizenship of directors may be required.

d) Cooperative enterprise

A cooperative is owned and controlled by an association of members. It can be set up as a for-profit or as a not-for-profit organization. This is the least common form of business, but can be appropriate in situations where a group of individuals or businesses decide to pool their resources and provide access to common needs, such as the delivery of products or services, the sale of products or services, employment and more.

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Advantages

- Owned and controlled by its members;
- Democratic control (one member, one vote);
- Limited liability;
- Profit distribution.

Disadvantages

- Longer decision making process;
- Participation of all members is required in order to succeed;
- Possible conflict between members;
- Extensive record keeping;
- Less incentive to invest additional capital.

2.6 Is the cooperative model right for you?

In reviewing the different forms of business structures, the question might be: 'under what circumstances might the cooperative structure be the right option?' The answer to this question will depend on a few considerations:

- Is there a group of individuals with a shared need that sees a solution through a collective approach?
- Is the goal of the enterprise profit maximization or addressing an identified community or social need?

- Should operating surplus be distributed to owners based on individual wealth or should all owners benefit equally regardless of one's financial resources?
- Do owners have the option of varying degree of ownership therefore greater say in decision making or is ownership and therefore vote equal among all members?
- As an owner, is it important to have access to education and training locally and part of a global network?

Depending on the answers to the above questions, the cooperative structure may be the appropriate business structure to consider. The cooperative allows for alignment of values while also adopting a collective approach in creating a solution to an unsatisfied need in the marketplace and community.

Comparison of Business Ownership Models

COOPERATIVE	PRIVATELY INCORPORATED COMPANY
• Its main purpose is to provide service and savings to members.	• Its main purpose is to make profit for investors.
• It is essentially a union of persons.	• It is essentially a union of capital.
• Its control is democratic; each member has one share and therefore one vote regardless of their patronage level.	• Control is not equal; it is based on the number of voting shares held. As the volume of shares purchased is generally unlimited, individual investors can acquire substantial or complete control.
• Ownership is in the hands of its members in the community who use the service.	• Ownership is in the hands of investors who may be located in another community province or country.
• Surplus ('profits') refunded to members in proportion to patronage.	• Surplus allocated in proportion to voting shares owned.
• Shares are held in name of members only and are not traded for speculation.	• Shares may be freely traded and fluctuate in value.

A cooperative is different from other business in some very important areas:

- PURPOSE - service and savings to members.
- CONTROL - one member, one vote.
- OWNERSHIP - members who use the services.
- SURPLUS - is proportionally distributed to members according to patronage.



3

HISTORY OF COOPERATIVES

(Source: ICA, *History of the cooperative movement*)¹

¹ Abstract from ICA History of Cooperative movement. <http://ica.coop/en/whats-co-op/history-co-operative-movement>

3 HISTORY OF COOPERATIVES

3.1 The birth of a movement

The Rochdale Society of Equitable Pioneers is regarded as the prototype of the modern cooperative society and is regarded as the founder of the cooperative movement as we know it today. In 1844 a group of 28 artisans working in the cotton mills in the industrial town of Rochdale, near Manchester, United Kingdom, founded the first modern cooperative enterprise. The workers faced deplorable working conditions and low wages, could not afford the high food prices and generally the high cost of living. In an effort to mitigate these conditions, they decided to pool together their scarce resources in order to start a small grocery store in Toad Lane that would afford them basic foods at lower prices.



The Pioneers decided that it was time shoppers were treated with honesty, openness and respect, that they should be able to share in the profits that their custom contributed to and that they should have a democratic right to have a say in the business. Every customer of the shop became a member and so had a true stake in the business.

It is important to note the Pioneers started with an agreed set of values that guided their actions and later developed the appropriate (cooperative) structure that embodied these values.

3.2 The Rochdale Principles

(Source: Rochdale Pioneers Museum, *the Rochdale Principles*)¹

Over the years the original rules and recommended practices of the Rochdale Pioneers Equitable Society have been summarized and from them extracted what are known as the Rochdale Principles of Cooperation.

¹ Abstract from The Rochdale Pioneers Museum, *The Rochdale Principles*
<http://www.rochdalepioneersmuseum.coop/about-us/the-rochdale-principles/>

The original rules of conduct as published in the Pioneers' annual almanac were:

- That capital should be of their own providing and bear a fixed rate of interest;
- That only the purest provisions procurable should be supplied to members;
- That full weight and measure should be given;
- That market prices should be charged and no credit given nor asked;
- That profit should be divided pro rata upon the amount of purchases made by each member;
- That the principle of 'one member one vote' should obtain in government and the equality of the sexes in membership;
- That the management should be in the hands of officers and committee elected periodically;
- That a definite percentage of profits should be allotted to education;
- That frequent statements and balance sheets should be presented to members.

The Values and Principles embraced by today's worldwide cooperative movement have evolved from the ideals of the early cooperators of the 18th and 19th centuries. They are embodied in the Statement on the Cooperative Identity published by the International Cooperative Alliance.

(See Chapter 2.3 above)

3.3 Evolution of the international cooperative principles

Worker cooperatives began in France about the same time and in the 1860s credit cooperatives were formed in Germany. Cooperatives were also organized in other countries and by 1895 this movement had spread so widely that in that year a global apex organization of the cooperative movement – the International Co-operative Alliance (ICA) was formed (see 'Contributing Organizations' above).

The principles that underpinned cooperatives' way of doing business are still accepted today as the foundations upon which all cooperatives operate. These principles have been revised and updated, but remain essentially the same as those practiced by the Pioneers in 1844.

3.4 Cooperatives in the modern marketplace

Cooperatives have unique advantages based on the special relationship they have with their members as well as with the community they live in. They have the power to consolidate demand and purchase supplies at cheaper prices than their competitors (economies of scale).

The cooperative form of enterprise operates across many sectors of the economy empowering members and building more sustainable and resilient communities.

At the International Summit of Cooperatives (7 October 2014) a study entitled "Cooperatives and employment: A global report" (CICOPA, 2014) was presented and concluded that cooperative employment directly concerns 250 million people in the world, without mentioning indirect and induced employment. In the G20, cooperative employment makes up almost 12 per cent of the total employed population.

Table 1 below summarizes the findings by categorizing the impact on job creation by the type of cooperative and geographic representation. Although Europe reported the largest number of cooperatives (31) employing approximately 16 million people, it is Asia with less than half the number of cooperatives (14) that is responsible for creating employment for the most people at over 220 million.

Table 1: Cooperatives and employment – global figures

	Category 1	Category 2	Category 3	Total
Continent	Employees	Worker – members	Producer – members	
Europe (31)	4,627,853	1,231,102	10,132,252	15,991,207
Africa (13)	1,467,914	237	5,715,212	7,183,363
Asia (14)	7,734,113	8,200,505	204,749,940	220,684,558
Americas (15)	1,762,797	1,409,608	3,048,249	6,220,654
Oceania (1)	26,038	No available data	34,592	60,630
Total	15,618,715	10,841,452	223,680,245	250,140,412

Source: CICOPA 2014

3.5 Milestones in the History of Cooperatives

(Source: ICA, *History of the cooperative movement*)¹

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- 1761 The earliest cooperative for which there are full records traced to Fenwick, Scotland when sixteen weavers and apprentice weavers came together to form the Fenwick Weaver Society to set purchase prices for yarns, selling prices for cloth and to deal fairly and honestly in their work. They also set up a fund that they lent back to members to purchase high cost items, and from which they gave charitable donations to the poor in the village. Some have seen this as a proto-credit union.
- 1812 The Weavers set up a library in the village, together with the Freemasons and the Friendly Society to fund the building of a school-house.
- 1844 The Rochdale Society of Equitable Pioneers is formed.
- 1862 Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen establish the first credit cooperatives in Germany.
- 1966 The 50th session of the ILC adopts Recommendation No. 127 concerning the Role of Cooperatives in the Economic and Social

¹ Abstract from ILO Cooperative History Timeline
http://www.tiki-toki.com/timeline/entry/468716/Cooperative-Timeline/#vars!date=1923-05-17_03:25:57!

Development of Developing Countries (later replaced with Recommendation No. 193 in 2002).

- 2002 The final discussion of the report *Promotion of Cooperatives* is held at the 90th Session of the ILC. The 90th session of the ICL adopts the Recommendation (No. 193)¹ concerning the promotion of cooperatives. The new Recommendation replaces the Cooperatives (Developing Countries) Recommendation (No. 127), 1966.
- 2012 United Nations International Year of Cooperatives with the slogan “Cooperative Enterprises Build a Better World”
- 2014 ILO Coop and the ICA jointly produce a publication on cooperatives and the sustainable development goals

¹ For further information, see ILO Information Guide to Promoting Coop
http://www.ilo.org/empent/Publications/WCMS_311447/lang--en/index.htm

A tropical beach scene with palm trees and a colorful wooden boat on the water. The boat is painted with vibrant colors like green, yellow, and red. The water is a clear, light blue, and the sky is a pale blue with some light clouds. The palm trees are tall and their fronds are dark green, creating a canopy effect over the boat.

4

COOPERATIVES IN THE CARIBBEAN

4.1 The Caribbean cooperative movement

(Source: Sir. K. Dwight Venner)¹

There is little documented research about the history of the cooperative movement the Caribbean although the idea of people coming together to address a need or problem is evidenced through history and practiced even today in its own indigenous forms. Before any formal institutionalized approaches, people of the Caribbean established their unique approaches to pooling resources for the greater good and participating in their own savings and borrowing known by various names such as 'susu', 'partner', 'digging match', swap labour', and 'lend-a-hand'.

It was not until the latter part of the nineteenth century that the formal cooperative movement can be traced in the region influenced by developments in Europe. It was at that time the British cooperative movement passed a resolution on "cooperation in the West Indies" which called for representations to be made to the government to pass Industrial and Provident Societies legislation to enable the setting up of cooperatives in the region. Cooperatives in the Caribbean were thereafter formally established in 1911 following the visit to the region of the great British Co-operator, Sir Horace Plunkett. Some of the first cooperatives organized in the 1920s were agricultural and marketing and also included fishing cooperatives. Later, credit unions (primary, secondary, leagues and federations) were established followed in the 1940s and consumer cooperatives in the 1960s.

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A testament to the 7th Cooperative Principle (Concern for Community), and emerging from the Moyne Commission which was set up in London after the 1937 labour unrest, governments and social welfare agencies promoted cooperatives in the 1930s as a way to preventing social unrest across the region. In March 1946, a circular was issued by the Secretary of State for the Colonies to all colonial governments on *"the development of the cooperative movement in the Colonial Dependencies"*.

It was at that time a recommendation to establish a *"Registrar of Cooperative Societies, assisted by staff of the necessary quality and strength, charged with the duty of guiding and assisting the development of the cooperative movement"* and that there should be *"a proper legal framework for the movement in the form of a Cooperative Societies Ordinance and the necessary rules thereunder"*. Most governments of Caribbean colonies at the time implemented the recommendations during the late 1940s and 1950s and hence many agricultural, consumer, transport and fishing cooperatives were formed.

Unlike the history of how these cooperatives came to be, financial cooperatives (credit unions) on the other hand were established not as a result of recommendation of intervention of government but rather due to the promotion by churches, trade unions and community groups that identified a gap in access to financial services. Credit unions and membership grew steadily across the region in the 1950s and in some countries, the formation of federations or leagues of credit unions were formed. The West Indies Conference of Credit Societies was established as the regional apex body

¹ Sir K. Dwight Venner - Keynote address: The Cooperative Movement – Using Spillovers and Networking to Caribbean Development in Eastern Caribbean Currency Union – July 03, 2014

however dissolved in 1966 and later replaced in 1972 by the Caribbean Confederation of Credit Unions (CCCU). This early integration within the credit union sector allowed these cooperatives to mature and develop while, with the exception of Jamaica and Trinidad and Tobago, the same level of integration did not emerge within the non-financial cooperatives until much later.

From then on the cooperative movement has grown and spread to practically all the territories in the Caribbean region. There is now quite a wide variety of cooperatives operating in various sectors of the economy, some of them having been around for many years while others are relatively new. The most prevalent cooperatives found in the region operate in the financial, service and agricultural/fisheries sectors all of which a Cooperatives in which Youth and Worker Cooperatives can be found in each.

4.2 The importance of cooperatives in the national economy

Cooperatives are one of the most important types of indigenous-owned businesses in the Caribbean. In countries like Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, and Trinidad and Tobago, cooperatives are prominent among the formally registered home-grown businesses. There have been failures but also many successes. Whereas cooperatives can be found operating in different sectors of the economy, e.g. retailing, crop and livestock farming, agro-processing, fisheries, artisanal trades, arts and crafts, the most dominant type is the financial cooperative, in particular the credit unions (also known as the savings and credit cooperatives in other parts of the world). It is because of their dominance and their elaborate structure that a good part of this chapter focuses on them.

Currently, there are a number of changes in global economic conditions that threaten and challenge cooperatives. Examples of these are the global financial crises, demutualisation, widespread poverty, corruption and stringent financial legislation that hardly take into account the existence of the cooperative type of banking. Today, the financial industry is much more competitive than in the past, resulting in cooperatives having a greater advocacy role to protect their membership¹. Because of this, cooperatives are challenged to adapt by finding new ways to finance their operations, compete in the market place and maintain their cooperative “identity”. With these challenges, there is need for committed and competent leaders and managers to strengthen and sustain cooperatives so that they serve their members efficiently.

Since most countries in the Caribbean can be described as ‘developing countries’, cooperatives play a major role as a significant contributor towards Gross Domestic Products (GDP), and employment. For the more industrialised nations in the Caribbean such as Trinidad and Tobago and Jamaica, it is estimated that cooperatives’ contribution towards GDP is in the region of 3 – 6 percent, while the smaller nations in the Organisation of Eastern Caribbean States account for 4 – 7 percent of GDP. In Dominica, which has the highest penetration of credit union members and participation in the world on a per capita basis, the GDP contribution could be as high as 10 percent.

4.3 Some challenges of cooperatives in the Caribbean

Despite their proven potential in individual, community and national development, cooperatives in the Caribbean, as in many other developing countries, have a number of challenges which inhibit

¹ An ILO study pointed out that cooperative enterprises, particularly cooperative banks and other financial cooperatives, demonstrated that they were more resilient during the financial crises in Europe and USA in 2008 and 2010 (Birchall and Ketilson).

their capacity to realize their full potential.

These are by no means insurmountable but require strong leadership within the cooperative sector to leverage its collective expertise in finding appropriate solutions. Some of the issues affecting growth and long term viability of Caribbean cooperatives:

- a) Inefficiencies in operations resulting in more expensive products and services;
- b) Insufficient access to capital to stimulate competitive investment in technologies, research and development;
- c) Inadequate medium and long range planning;
- d) Inability to recruit, retain and develop competent leaders;
- e) Slow decision-making;
- f) Aging demographics;
- g) Limited promotion about the benefits of ownership;
- h) Government's technical support services are often inadequate to help cooperatives stand on their own feet and work by themselves;
- i) Access to the right type of capital at early stage development;
- j) Limited capacity in intermediaries, apex organizations and government agencies established to support the enterprise;
- k) Dependency on government or grant funding.

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The majority of the issues above are challenges not just facing cooperatives but all form of business enterprises operating in an economy of increased globalization and open markets. By leveraging its unique ownership structure, local ownership, and a commitment to the cooperative Principles, they are well positioned to overcoming these challenges and contributing to the strengthening of its members and community at large.

4.4 ILO's support to cooperatives in the Caribbean

(Source: ILO, Cooperatives n.d.)

The ILO views cooperatives as important in improving the living and working conditions of women and men globally as well as making essential infrastructure and services available. Moreover, cooperatives have the potential to advance the concept of decent work.

The ILO technical assistance programme for cooperative development focuses on policy and legal advice, and capacity building through human resource development. ILO Recommendation No. 193, (2002) on the promotion of cooperatives is designed to form the conceptual basis for ILO's technical work in the field.

Given the important role that cooperatives play in the Caribbean, the ILO continues to support its development through several technical assistance and training activities. From 2004-2006, for example, the ILO provided technical advice, training and support for the drawing up of a national policy on cooperatives in Trinidad and Tobago.

In 2000, the ILO in collaboration with the Caribbean Confederation of Credit Unions (CCCU) hosted the first regional conference of Ministers of Cooperatives."

5
**DIFFERENT
TYPES OF
COOPERATIVES**

One of the reasons cooperatives have not reached their full potential in many developing countries is that people tend to have a very limited view of the kinds of activities cooperatives can perform. They tend to see them only as a retail store or a buyer of crops (e.g. copra). In fact, they can be adapted to many different kinds of purpose. Cooperatives will succeed only where people design the type of business that best meets their real needs.

Some have existed for many years while others are relatively new. Unlike a conventional company that is owned by a group of investors (who may never use the company's services and may even live on the other side of the world), owners of cooperatives are closely involved in its activities are often members of the local communities served by the collective. They are the people who use and benefit from the cooperative's services.

One of the more universally accepted views in classifying cooperatives in the Caribbean and around the world is by its ownership structure, namely who are the members. Using this lens, cooperatives can be viewed as fitting into one of the following types:

- 1) Consumer – owned by consumers/customers who buy goods or services from the cooperative
- 2) Producer – owned by producers (also considered workers) of commodities or crafts who have joined forces to process and market their products
- 3) Worker – owned and democratically governed by employees (not necessarily Producers) who become co-op members
- 4) Multi-Stakeholder – owned by a combination of different types of members (e.g. consumer AND worker cooperative members)

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5.1 Consumer Cooperatives

This is one of the best known forms cooperatives found around the world. They are owned and controlled by the people that buy the products and services sold, managed or distributed by the cooperatives. Their mandate is to acquire the products and services required by their members at the lowest possible cost with the highest possible quality.

These cooperatives can operate in three different ways; as buying clubs where products and services are obtained by the cooperative only when the members place an order; as retail stores where the members come in to shop; and as service providers where members order the service, such as cable television, internet access, water or natural gas.

Although not as prevalent across the Caribbean region, some consumer cooperatives are known to operate general stores, grocery stores, gas bars, farm supplies, furniture stores and funeral service cooperatives competing in the marketplace, achieving scale of operations while at the same time providing access to affordable products and services to its members.

Examples of Consumer cooperatives operating across the Caribbean include ¹:

El Dorado Consumers Co-op Society Ltd (Trinidad and Tobago)

El Dorado Consumers Co-op Society Ltd is located in El Dorado, Trinidad and Tobago and was established in 1953 as a consumer cooperative. The coop has approximately 600 active members 600 with Assets over US\$3.52M. As a result of the coop, members benefit from access to lower prices of goods due to bulk purchasing as well as access to affordable community space to market and sell their products.

Source: Caribbean Cooperative Data Collection May 2017

Diego Martin Consumers Coop Society (Trinidad and Tobago)

Diego Martin Consumers Coop Society is located in Diego Martin, Trinidad and Tobago and was established in 1970 as a consumer cooperative. The coop has over 1930 active members with Assets over US\$2.65M. As a result of the coop, members benefit from lower prices due to bulk purchasing as well as access to affordable office space to market and sell their products. Members also benefit from technical support to develop entrepreneurial activities throughout the wider community.

Source: Caribbean Cooperative Data Collection May 2017



¹ Data Collection survey May 2017

5.2 Producer Cooperatives

The Producer Cooperatives were one of the first kinds of Cooperatives developed to explore and provide solutions to the farmers' production in the early 1880. Producers Cooperatives are also known as marketing cooperative where the members provide the cooperative with the same production that the cooperative markets in a processed or value-added form.

The Cooperatives' mandate is to commercialize the members input by seeking the best price possible on the market. There are many examples throughout the Caribbean of these cooperatives as a result of the agricultural based economies and rural populations. These Producer Cooperatives include farmers, artists, harvesters and fishers seeking out and selling to end users to earn and retain the benefit of their owners/producers.

Belle Vue Farmers coop (St. Lucia)

BELLE VUE FARMERS COOPERATIVE was established in 1986 and operates in the rural communities of Choiseul and Soufriere, St. Lucia. The cooperative reports 250 active members with assets of US\$736,133. The cooperative undertakes promotional and marketing efforts on behalf of its members resulting in access to local markets for crops (herbs, vegetables, fruits...). Financing assistance is also provided to members allowing them to secure financing for equipment and infrastructure needs to develop lands for production. As a result of the cooperative, farmers in rural St. Lucia are provided with stable employment, reliable income to support their families. Members along with the general population also benefit with access to healthy, locally grown food.

Source: Caribbean Cooperative Data Collection May 2017

Castries Fishermen's co-op (St. Lucia)

CASTRIES FISHERMEN'S COOP is a local agricultural cooperative established in 1977 and operating in Castries, St. Lucia. The coop reports 70 active members and assets of US\$1,130,000. Because members pool resources and share the risk, they are able to access petrol, engine parts and boats at affordable prices to sustain, increase their catch, and expand their operations. The coop also negotiates on behalf of its members with local hotels and restaurants to secure stable local markets as well as fair price for their catch. The fishing coop makes it possible for job creation and stable income for fishers and vendors to support their families. With young persons and women also part of the coop, a transfer of fishing skills and knowledge is passed down to next generation of fishers. This coop benefits outside its membership allowing for greater supply of fresh, healthy, protein rich food for tourists and the wider community.

Source: Caribbean Cooperative Data Collection May 2017

Apiculture Coop Society Ltd. (Trinidad and Tobago)

ALL TRINIDAD AND TOBAGO APICULTURE COOP SOCIETY LTD. was established in 2014 operating in Santa Cruz, Trinidad and Tobago. The coop reports 46 active members with assets US\$4,067. Through marketing and production activities, the coop helps members increase access to local markets for its members as well as negotiates fair prices for products. Through public awareness programs, the coop also promotes the protection of the local bee population and contributes towards the sustainable development of the environment through education and training in beekeeping. Members have also benefitted from pooling resources and knowledge to create secondary products and identified appropriate markets in securing fair prices (e.g. wax, pollen, jelly...).

Source: Caribbean Cooperative Data Collection May 2017

Banelino coop (Dominican Republic)

The organization Asociación Bananos Ecológicos de la Línea Noroeste (BANELINO) was founded in 1996 when small Caribbean producers from Mao and Montecristi in the Dominican Republic decided to join their forces to create an organization that ensures the sale of bananas all over the year and at a fair price, which allows the producers and their families to live in dignity. Today BANELINO represents 369 Small Producers living in the Western Valley of the island, on the border with Haiti, one of the most deprived areas of the Country. The organization also offers the producers a fair contract and it constantly backs the community's rural development.

BANELINO's members are small producers managing on average less than 4.5 hectares land. In this organization the number of women producers has increased: they represent now 23% of the total members and play a key role in connecting Banelino with the local community. BANELINO succeeded in strengthening its position on the market thanks to its producers' commitment. They manage to sell about 35,000 boxes of bananas per week, 80% containing organic bananas and 20% conventional bananas. Moreover, the organization obtained different certifications: Símbolo de Pequeños Productores, FLO, Orgánico y Global Gap.

Source: Latin American and Caribbean Network of Small Fairtrade Producers n.d.

5.3 Worker Cooperatives

(Source: Province of Manitoba Cooperative Branch, Wpg, Canada)

Worker cooperatives are identified as the third type of cooperative owned and controlled by their employees. The purpose of the worker cooperative is to create jobs for their members and allow them control of their workplace. Members provide the capital to finance the business, each sharing the costs and risks of ownership.

The management of a worker cooperative is concentrated in the business part and classified as a third type of cooperative where the members are employees. Usually the worker cooperatives are services cooperative offering services to other business and they are generally printing, nursery schools, janitorial cleaning, consulting, mail/package delivery, manufacturing and food services.

Major benefits to the employee-members include involvement in the policy-making process, through the election of a Board of Directors, profit sharing through patronage allocations, and a quality of work life that is established by the membership.

Courtesy Taxi co-op (St. Lucia)

The COURTESY TAXI CO-OP was established in 1982 and operates out of the capital city of Castries, St. Lucia. The cooperative reports 189 active members (3 women) providing taxi services targeting tourists as well as locals in the North of the island where most of the cruise and hotel guests are located. As a result of promotions, marketing and advocacy with relevant government and business establishments, members benefit from stable employment and fair prices in this seasonal industry. As a result of pooling resources and working collectively as a single voice, many of the members have been able to purchase their vehicles and built assets thereby allowing them to leverage assets for future financial choices.

Source: Caribbean Cooperative Data Collection May 2017

Mondragon (Spain)

MONDRAGON Corporation is the embodiment of the cooperative movement that began in 1956; its business philosophy is contained in its Corporate Values: Cooperation, participation, Social Responsibility, Innovation. Mondragon's Mission combines the core goals of a business organisation competing on international markets with the use of democratic methods in its business organisation, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment. Currently, the group is active in a number of core industrial and service activities, distribution, banking and insurance, as well as higher education and Research & Development. In post-civil war Spain's Basque country, a group of young, working class graduates with few job prospects founded a small cooperative to build paraffin stoves. They then began to set up other cooperative business ventures.

When they needed capital for expansion, they started their own cooperative bank.

These young people had been taught the ways of the Catholic priest José María Arizmendiarieta, whose beliefs were rooted in solidarity. In 1943 he began a training college in the small Basque town of Mondragón, which became the seed for the many cooperatives that have come to dominate the Basque economy. By the end of 1990 the now-merged cooperatives of Mondragón and its surrounds employed about 23,000 workers. Over the following two decades this number grew to more than 85,000 worldwide, and more than 85 per cent are members of the Mondragon cooperatives in Spain's Basque country. Today the same difficulties that inspired the cooperatives of Mondragón in the 1940s are affecting the lives of workers in the United States: lack of jobs, creeping poverty and distrust of the economic and political system.

Source: ICA Coop Stories, Kate Askew From paraffin stoves to steel. n.d.¹

5.4 Coops serving vulnerable groups

Although we have now reviewed the 3 types of cooperatives based on who the owners are (members), the following represents additional examples of the impact cooperatives can have in strengthening Caribbean communities.

5.4.1 Housing Cooperatives

Housing cooperatives are developed to resolve the living need by offering an affordable and secure housing in a viable community. The members are tenants/owners having the ability to manage and control the cooperative.

Resident members purchase membership shares of the cooperative in relatively small amounts (less than three months housing charges) and pay housing charges to cover mortgage interest, utilities, repairs, taxes, depreciation, management, administrative and other operating costs. When members leave the cooperative they are entitled to have their shares redeemed by the cooperative for the same price paid by the members unless the cooperative has a deficit and is prevented by legislation from redeeming the shares.

The other category of housing cooperatives does not have the above restrictions and set their own rules for the amount of equity required to become a resident member and how members deal with their occupancy rights and shares when leaving.

In most instances the exiting member gives the prescribed notice and on the exit date is no longer responsible for the housing charges and receives the acquisition price for the membership shares upon redemption less any pro rata portion of any capital impairment. In some of these cooperatives the share capital is modest and similar to the not-for-profit housing cooperatives and

¹ <http://stories.coop/stories/from-paraffin-stoves-to-steel/>

the cooperative and the members' cash flows are not significant. Other equity requirements are higher and members can reduce the monthly housing charges by increasing the share capital investment.

However, upon leaving, the housing cooperative may have to increase its mortgage, as the incoming member may not be able to invest as much in share capital as the exiting member. In these cases the exiting member may have to wait some time before being paid for all the shares redeemed. This can also put stress on the cooperative if the mortgage holder does not feel the cash flow of the cooperative is sufficient to warrant additional financing. Others are set up so that the exiting member is responsible for the housing charges until a replacement resident member is found.

The new member pays the exiting member market value for the right to occupy the housing unit and the housing cooperative records the transfer of equity and charges the new member an initiation fee. The housing cooperative, although it still must approve the new member, receives the transfer fee but does not have to concern itself with the redemption of shares.

Lascahobas Housing Coop (Haiti)

A good example of the impact of a housing cooperative and at the same time the 6th Cooperative Principle in action (Cooperation among Cooperatives) can be seen in the Caribbean island of Haiti. The Haitian capital of Port-au-Prince was in ruins after a devastating earthquake which destroyed it in January 2010. Haiti was the first country in Latin American and the Caribbean to win independence and the first black-led republic when a slave revolution freed it in 1804. Haiti has the largest population of any of the Caribbean nations but equally its people are some of the poorest. It is the poorest nation in the Americas. One such group of homeless people 25 families have been living on a private block of land in the Lascahobas area. They were due to be evicted at the end of 2011. That is, until a group of international organisations stepped in to set up a housing cooperative. Locally, the Housing Cooperative and Solidarity Mutual COLONSO and the Groupe d'Appui aux Rapatriés et Réfugiés (GARR) have come together with the international organisations, the International Cooperative Alliance's America's arm (ICA Americas), the Swedish Cooperative Centre (SCC) and the Uruguayan Federation of Mutual Aid Housing Cooperatives (FUCVAM) to start the cooperative.

Source: Kate Askew, ICA Coop Stories. From Squatting to a home, 2012¹

¹ <http://stories.coop/stories/from-squatting-to-a-home/>

Students' coop (USA)

The Students' Cooperative Inc. is a housing cooperative established in 1940 located on the campus of the University of Minnesota providing low-income housing to 29 members (women and men) who are also students from a diverse background. The building is a 3-story, 18-room, old house built in 1908 and designed with private suites while having residents share a common kitchen facility. This cooperative makes it possible for students to access safe and affordable housing conveniently located on campus.

Source: ICA Coop Stories, Maxeem Konrardy & Charles Lehnen. A brief history of students' co-op incorporated, n.d.¹

5.4.2 Financial Cooperatives

The financial cooperatives are initially based consumer cooperative offering financial services to their members. The financial cooperatives were started in rural communities providing farmers with micro credit during the beginning of the 1800s and they were known as people's bank or credit union and saving and credit Cooperatives.

These special types of cooperatives often come under legislation developed for the uniqueness of the financial services being provided to their members, deposit taking, loans, trust services, and insurance. Credit Unions (in English speaking countries) / Caisses Populaire (French Canada) are the most recognizable or best known of the financial cooperatives. Like other cooperatives democratic control is in the hands of their members/owners.



¹ <http://stories.coop/stories/a-brief-history-of-students-co-op-incorporated/>

These cooperatives have the mandate to provide their members with financial services at the lowest possible cost and the highest possible return. These services include a variety of deposit vehicles, mortgages, loans, lines of credit, safety deposit boxes, financial planning, estate administration and insurance.

5.4.3 Multi-stake Holder Cooperatives

Depending on the local Cooperatives Act, some jurisdictions allow groups that normally form separate cooperatives, such as workers and consumers, to combine their resources and create a cooperative together. This allows cooperatives greater strength and sustainability with the ability to diversify their stakeholders.

5.4.4 New Generation Cooperatives

New Generation Cooperatives (NGCs) represent an emerging trend in agriculture, forestry, fishing and other industries that are supplied by producers. These are distinct types of cooperatives formed to enable members to process raw commodities. As a result, members not only receive market prices for their produce, they also gain the opportunity to profit from processing and marketing these value-added products.

These Cooperatives are referred to as new generation because of four distinct variances from traditional cooperatives:

1. The focus is on the value-added processing or manufacturing of raw commodities delivered to the cooperative by its members and the marketing of the resulting products.
2. A significant equity investment is required by each member, with the total initial equity contribution being a major portion of the gross project costs.
3. A two-way contract between the member and the cooperative requires each member to deliver, and the cooperative to accept, an agreed-upon amount of the raw commodity for each delivery right owned by the member.
4. Membership is limited to the number of special investment shares (delivery rights) required to be sold by the cooperative to its members in order to meet its processing capacity.

Students' coop (USA)

GRENADA CHOCOLATE COMPANY is a chocolate-making cooperative made up of cocoa farmers on the island of Grenada. The cooperative changed the industry by combining the cocoa farmers and chocolate manufacturer thereby allowing for higher wages to farmers. The result was that cocoa farmers now benefit as much as the chocolate-makers. Grenada Chocolate bars have found markets in the UK and Holland on the Tres Hombres sailing ship, an old-fashioned, square-rigged Brigantine 32 meter ship. The Tres Hombres has no engine, only powered by the wind and travels the traditional trade wind route from Europe, Africa, The Caribbean, North America and back to Europe with the vision of moving cargo pollution-free.

Source: ICA Coop Stories, Eti Peleg. Radical Chocolate. n.d.



6

YOUTH AND COOPERATIVES

*(Source: Anca Voinea, Cooperatives need to define
what 'youth involvement' means. 2014)*

While youth involvement remains a challenge for the cooperative movement in the Caribbean and across the globe, youth cooperatives provide an opportunity to promote the coop values to young people while also engaging them with practical leadership and life skills. An important aspect of the establishment of any youth cooperative is to start with the definition of what 'youth involvement' means for them.

"There are two educations...one should teach us how to make a living and the other how to live." - John Adams.

Organisations need to find creative ways to involve younger members and creating a culture that within the cooperative of enabling young leaders by allowing them a say in the decision-making process. Cooperative directors and leaders need to encourage wider youth and community participation thorough mentoring young cooperators and helping them become the leaders of the future. Whether through school activities, training courses, sports, arts or cultural events, activities need to be customized to the needs of participants by participants.

Stingers Credit Union (Canada)

In 2014, Assiniboine Credit Union (ACU) was approached by a local high school, Tec Voc High School to explore the formation of a student cooperative. Tec Voc is located in an area of town that has a few branches that are easily accessible by students. The high school is dedicated to trades and career development, and having a bank account and the knowledge of how to use it is an important part of becoming employed. For Tec Voc it made sense to have a Credit union on site.

For ACU, they saw the opportunity to help students who didn't have access to a branch close by, but also help them learn the basics of banking while they're still young. It is just not accounting class anymore with repeating debit and credit theory and journalizing and the dreaded posting. The students are learning skills such as organization, teamwork, public speaking, and leadership that will shape their future and working lives. They are gaining invaluable financial literacy skills.

Source: Assiniboine Credit Union, Winnipeg, Canada

Mohale Hoek Primary School Horticultural Cooperative (Lesotho)

Students not only learn how to grow vegetables, market and sell their produce, but also put in practice the principles of self-help and care for the community. They sell their produce to the school cafeteria to improve the nutritional composition of school meals, as well as to the local community. A part of the proceeds from their sales helps support fellow students who are orphaned or come from families who cannot afford school meals, books and uniforms.

Source: Chavez Hertig Maria Elena, ILO, A better future for young people: What cooperatives can offer, 2012. ¹

1 http://www.ilo.org/empent/units/cooperatives/WCMS_195535/lang--en/index.htm

Renmark Hotel (Australia)

The Renmark Hotel opened its doors in 1897 and is the oldest cooperatively owned hotel in the British Commonwealth. The community decided they didn't want the hotel to fall into private ownership so instead formed a cooperative to own and run the hotel through an elected board made up of members who had to be local residents. The hotel became a source of pride and a sense of responsibility for its members so when the town required essential services such as a new hospital, the hotel stepped up to invest much of the funding needed to make it happen. The Renmark experience became a poignant example of the power of cooperatives which inspired the surrounding communities such that the only hotels found in each of the four main towns in the region are all under cooperative ownership.

Source: ICA Coop Stories, Mark Derby. Welcome to the first hotel in the British Commonwealth to be co-operatively owned, n.d.

Despite the impact cooperatives are making in local communities and around the world, we are still reminded of many global issues that are unacceptable. According to the World Bank and the ONE Program (as cited in Canadian Cooperative Association n.d.), the following highlights some of the global challenges and realities:

- More than 1 billion people live on less than \$1 a day and more than 2 billion live on less than \$2 a day.
- According to the UN, the majority of people in poverty are women, who globally earn roughly half as much as men.
- Food prices have risen 83 per cent since 2005, disproportionately affecting those in poverty who spend a higher percentage of their income on food.
- In 2005, a conservative estimate stated that 72 million children around the world of elementary school age were not enrolled in school.
- The richest 20 per cent of the world's population receive 75 per cent of the world's income, while the poorest 40 per cent receive only 5 per cent of the world's income.



7 WOMEN AND COOPERATIVES

7 WOMEN AND COOPERATIVES

The cooperative values and principles discussed in Chapter 2.3 encourage inclusion and empowerment of those marginalized in society including youth. We see from the previous section how youth cooperatives drive social change and have the power to transform lives and communities.

Another vulnerable population in many parts around the world affected by poverty, isolation and under representation in the formal economy is women. Cooperatives allow women working individually to band together and create economies of scale as well as increase their own bargaining power in the market. Despite the democratic structure and the values and benefits shared by cooperative members, women suffer a disproportionately low representation in cooperative membership around the world perhaps due to gender norms and other instilled cultural practices. Representation of women through active membership (showing up to meetings and voting), as well as in leadership and managerial positions is even lower (Nippierd, 2002).

7.1 Benefits to Women

Many studies on the impact of cooperatives have been done with similar conclusions...cooperatives are powerful enterprises of positive social change and empowerment of women in helping them onto the ladder of economic activity.

In a collection of essays on women in cooperatives by Brenda Rosebaum (2000), cooperatives can go beyond simply providing an income for the poor women members involved or stimulating the larger community in which it is located, cooperatives have "empowered" women, "enhanced their dignity, and greatly improved their quality of life" (p. 102).

In a study of a Nepalese women's cooperative, Rachel MacHenry (2000) found that social barriers among women were broken down due to the inclusion of women of different classes, castes, and ethnicities. Moreover, these women often bonded over common experiences and similar motivations for participation in the cooperative. Other shifts occurred in women's independence, including reports of increased physical mobility, including more confidence walking alone as well as riding public transportation. Women also benefited from an increased self-worth and more confidence in interactions with family members and upper class people. Some women weavers felt that they had gained more bargaining power in the eyes of business people who had previously exploited them; other women claimed that they had gained a larger sense of their value and overall contribution to their own households.

Another principal benefits of cooperative work is that it allows women the opportunity to gain a decent wage while still leaving time and freedom for other responsibilities important to them such as caring for children and families. Furthermore, benefits often trickle down to the children of women engaged in cooperatives. In the case of the cooperative UPAVIM in Guatemala, a strong emphasis was placed on savings for children's education (Rosenbaum 2000).

According to the CCA equitable participation of members - both women and men - is necessary for sustainable cooperative development. Active participation in the cooperative context means that members are involved in all functions of cooperatives including planning, decision-making finance and management. Cooperative values are ones of self-help, mutual responsibility, equality

and equity, but these values do not automatically translate into gender equality. Neither does providing equal opportunity for women lead to equally beneficial results. The differential impact of development initiatives on men and women must be acknowledged. Cooperative leadership must allow women with equal access to all decision-making levels within the cooperative as well as identifying and addressing constraints that undermine their access to opportunities. The cooperative system must address the disproportionate burden the cycle of poverty places on women (CCA Gender Statement 2006).

Cooperatives are an effective tool to bring women into the formal economy vis-à-vis the employment and economic opportunities they create. As democratic agents of social mobilization, cooperatives also play a role in the healthy, gender-inclusive development of communities and societies. The involvement of women in the economic function of agricultural cooperatives results in a more integrated production of food and cash crops enhancing food security. Involving more women in cooperative ventures broadens the scope and expands its social role. Women are often more concerned with social development issues such as employment, health, the environment and children. Women participating in cooperative movements become agents of social change, improving the socio-economic situation of their families and communities.

7.2 Gender Definitions

(Source: Canadian Cooperative Alliance, Gender Equality at CCA)

Cooperatives committed to the empowerment of women will be better served by starting with a common understanding of key principles and concepts informing this subject. The following is a list of definitions defined by the Canadian Cooperative Alliance in shaping their strategy and approach to achieving greater gender equality in programs across Canada and around the world.

Gender Equality: Gender equality requires equal enjoyment by women and men of socially-valued goods, opportunities, resources and rewards. Gender equality does not mean that men and women become the same, but that their opportunities and life chances are equal.



Gender Equity: Gender equity is the process of being fair to women and men. To ensure fairness, measures must often be available to compensate for historical and social disadvantages that prevent women and men from otherwise operating on a level playing field. Equity leads to equality.

Gender-Neutral: Gender-neutral programs are not specifically aimed at either men or women and are assumed to affect both sexes equally. However, they may actually be gender-blind.

Gender-blindness: means ignoring the different socially determined roles, responsibilities and capabilities of men and women. Gender-blind policies are based on information derived from men's activities and/or assume those affected by the policy have the same (male) needs and interests.

Resources: Resources are means and goods, including those that are economic (household income) or productive (land, equipment, tools, work, credit); political (capability for leadership, information and organization); and time.

Access: Access to resources implies that women are able to use and benefit from specific resources (material, financial, human, social, political, etc).

Control: Control over resources implies that women can obtain access to a resource as and can also make decisions about the use of that resource. For example, control over land means that women can access land (use it), can own land (can be the legal title-holders), and can make decisions about whether to sell or rent the land.

Equal Participation: making full use of women's and men's visions, competencies and potential. Empowerment is about people - both men and women - taking control of their lives; setting their own agendas, gaining skills, building self-confidence, solving problems and developing self-reliance.

Outsiders cannot empower women only women can empower themselves to make choices or to speak out on their own behalf. However institutions, including international cooperation agencies, can support processes that increase women's self confidence, develop their self-reliance, and help them set their own agendas.

Si Se Puede! Women's Cooperative, We Can Do It! Inc. (USA)

The Center for Family Life (CFL) - a social service organisation - has served as an incubator for a number of immigrant cooperatives in New York City, providing them with technical assistance, consultation support, and lengthy start-up training in social group work. One of these cooperatives is Si Se Puede! Women's Cleaning Cooperative, a women-owned, women-run worker cooperative for housecleaning services. Founded in 2006, it now has over 1,500 customers, and an annual group income of \$600,000. One of the cooperative's key principles is that every member receives 100 per cent of their pay - there are no job placement fees and no organisational middlemen. Si Se Puede! workers receive more than \$20 an hour for their work. Members are active the day-to-day management and marketing of the business. For example, members must attend regular organisational meetings, and must spend three

hours a month marketing the coop. CFL provides cooperative members and their families with workplace-specific English language *classes*, family counselling, and after-school programmes.

Source: ILO, Domestic Workers Organize 2011

BAZURA BAGS BRINGS ECO-FASHION (Philippines)

Bazura™ Bags (www.bazurabags.com) is a social entrepreneur that is proving that one person's trash is another's treasure. The Toronto-based company has launched a line of high quality bags and accessories handcrafted by a women's cooperative in the Philippines from colorful discarded juice containers that would otherwise clutter landfills, fields and streets in their community.

The company's most popular designs are coin purses, messenger bags, lunch bags and purses. New styles include camera and cell phone bags, key chains, placemats, cosmetic bags and fruit baskets. The fun collage of colors that are the signature of the Bazura line are derived from the attractive labels of the juice containers they are made from. The recycled juice containers also impart a hint of fresh fruit scent.

By transforming "basura", the Filipino word for garbage, into a unique collection of eco-chic bags and accessories, the innovative business reduces litter, keeps millions of juice containers out of crowded landfills and conserves resources that would otherwise be used to make bags and accessories from raw materials. The social story of how these bags support the livelihood of less fortunate women and their families is equally compelling.

Source: Bazura Bags, Stylish Bags & Accessories Handcrafted from Recycled Materials, 2006.

The Sihameh Puebla Crafts Cooperative (Mexico)

The Sihameh Puebla Crafts Cooperative is a cooperative in Puebla, Mexico made up of 400 indigenous women producing and selling their embroidered shirts, jewelry, paper etc. to tourists from around the world. Before the cooperative, each woman competed amongst themselves for business or using a 'middleman' to sell their craft which resulted in lower pay for their work. The cooperative brought the women together to provide training on topics such as buying habits of the tourists and the benefit of establishing standard pricing. This knowledge and organization among the women allowed them to sell directly to the tourists without a middleman thereby garnering them fair and higher net price for their labour. So successful this approach was, the cooperative started exporting to the US thereby expanding new markets.

Source: ICA Coop Stories, Kathryn Kruse. Traditional art at fair prices n.d. ¹

¹ <http://stories.coop/stories/traditional-art-at-fair-prices/>

National Federation of Fishermen's Cooperatives Ltd (India)

India's long coastline and rich inland waters means that fishing is a major industry in the country, with over 14 million people involved in fishing and aquaculture. Fishing communities, however, are among the weakest in society, suffering from illiteracy, poverty and lack of knowledge about technology. Many fishermen are exploited by middlemen, but cooperatives can offer a way to empower them and improve their socio-economic conditions.

The National Federation of Fishermen's Cooperatives Ltd. (FISHCOPFED) was established to support the economic health and well being of its members with its primary service being insurance to compensate fishermen in times of misfortune. The cooperative also looks after the well being of fisherwomen who are traditionally neglected in the industry. Women generally do not catch fish so through the support of the cooperative, women have been provided with training and employment opportunities to support their families through fish drying and net weaving. By working closely with the Indian government and the National Cooperative Development Cooperation, FISHCOPFED is also exploring solutions to tackle pollution impacting on both members and non members while giving many small fishing cooperatives a powerful voice in the country.

Source: Carla Ranicki, ICA Coop Stories. Uniting India's fishing cooperatives

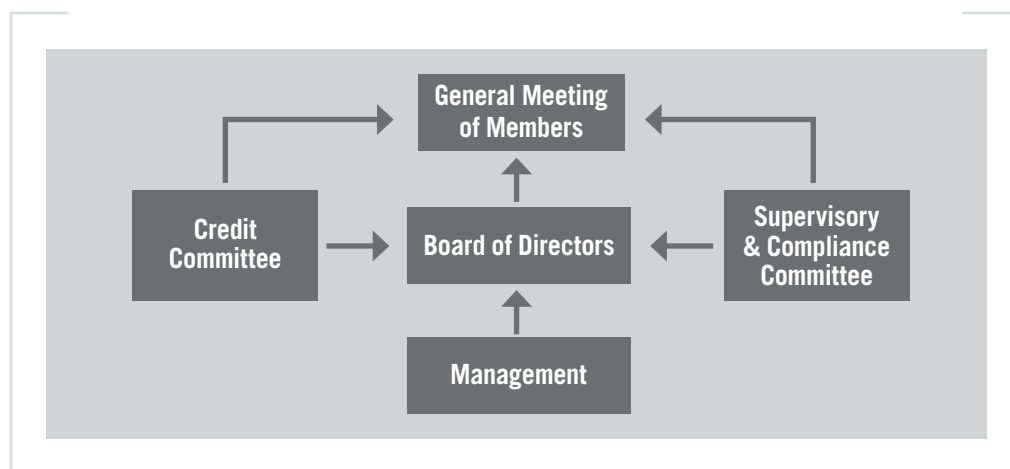
An overhead view of a business meeting taking place around a large, light-colored rectangular table. Ten people, five men and five women, are seated around the table, each with a white chair. They are dressed in professional business attire. The participants are engaged in various activities: some are writing on papers, one is using a tablet, and others are looking at documents or talking. On the table, there are several items including coffee cups, pens, and folders. The background is a plain, light-colored floor.

8

GOVERNANCE OF COOPERATIVES

8 GOVERNANCE OF COOPERATIVES

Governance of cooperatives is rooted in the international governance principles of cooperatives. It should be noted that cooperative governance consists of a three-tiered system: General Assembly (decision-making body), Board of Directors (policy-making body) and Management (day-to-day operations) as shown in the chart below.



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To solidify the application of the three-tiered system, the cooperatives must adhere to the International Cooperative Principles. Once these are adopted then proper governance principles should follow.

a) External governance relates to how cooperatives apply the legal and regulatory obligations placed on them. Each national jurisdiction has its own unique set of laws. However, they all require that principles of safety, soundness and business continuity be priorities of registered cooperatives. Transparency, auditing and timely financial reporting are therefore pre-requisites for good governance. Annual general meetings must be convened yearly and within four months of the ensuing year. A recent development for cooperatives requires that they comply with the Anti-Money Laundering laws and regulations by filing suspicious financial transactions. Anti-Terrorist financing legislation is also applicable to all cooperatives.

b) Internal governance practices relate to the principles and values adopted by the International Co-operative Alliance (ICA) in the course of management of the cooperatives. Internal governance also requires compliance with the bye-laws or rules, policies, procedures; they are bound by law to place the best interests of the cooperatives foremost. Secondly, they must meet the fit and proper requirements of the Act and Regulations.

Each member, officer and employee must be confidential, free from accusations of conflict of interest, in possession of the requisite skills and technical capacity and the capability to discharge their mandate.

Individual governance also involves the responsibility of members to attend annual and special general meetings by asking relevant questions on the management and operations of the cooperative. Members must also patronize the cooperative business by accessing its services.

The background is a close-up, blurred image of a document. A signature line is visible, with the word "SIGNATURE" printed on it. A pen is positioned near the signature line. The overall tone is professional and legal.

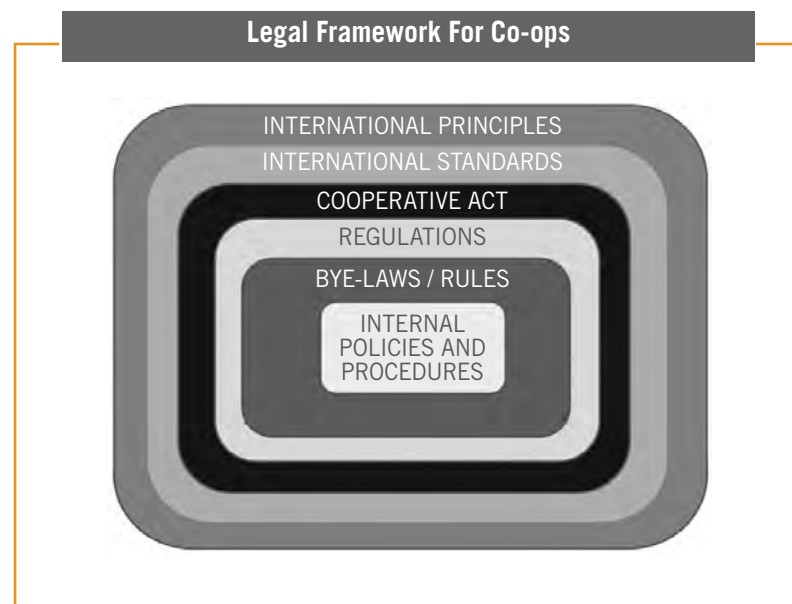
9

LEGAL FRAMEWORK

9 LEGAL FRAMEWORK

9.1 International standards

The basis of the cooperative legislation or legal framework for cooperatives influenced by international standards - including the UN Guidelines (2001) and ILO Recommendation No. 193 (2002). As seen in the chart below, developed by the ILO COOPREFORM programme, international standards make the outer frame of the legal picture, followed by the national constitution and specific laws of commerce, services, agribusiness and finance. After the specialised Cooperative Law, the Cooperative Regulations and Bylaws or Rules follow, then the internal controls – policies, procedural guidelines and code of ethics.



International Principles

These are the Seven International Cooperative Principles used as the philosophical guideposts to develop and promote cooperatives as viable business enterprises. They are universally accepted and are incorporated in the operations of most cooperatives.

International Standards

As a major contributor towards GDP, production and employment in most countries of the world, cooperatives have developed into major business enterprises and now adopting international standards to improve on their range and quality of products and levels of service to expand the cooperative.

Cooperative Act	Prepared by Government's Legislative Drafting Unit within the Ministry of Legal Affairs, in close consultation with the Cooperative Movement, the Registrar/Commissioner/Director of Cooperatives and other stakeholders and approved by Cabinet and Parliament.
Regulations	Prepared by the Registrar or the appointed government agency and approved by the Minister-in-Cabinet. These apply to every cooperative.
Bye-Laws / Rules	On the basis of the sample bye-laws prepared by the government regulator, in consultation with the national cooperative apex body, the bylaws are prepared and recommended by the Board of an individual cooperative and approved by the AGM or SGM.
Internal Policies and Procedures	Members approve in general meeting the guiding principles behind the policies; they also approved the Code of Ethical Conduct. The detailed operational policies and procedures will be approved by the Board or the Joint Committee Meeting (Board, Supervisory and other adhoc committees). These policies and procedures are intended to strengthen order and consistency in the management of assist day-to-day activities of the cooperative society.

From the beginning stages of a cooperative and throughout its existence, the members should be allowed to decide as much as possible on matters relating to their business, so that they are kept informed and involved. For example, the standard policies should be approved by the members at a General Meeting (Annual or Special) because it provides an opportunity to explain to the members how these policies will affect their cooperative.

9.2 Other laws

A cooperative is a business and unless it has been specially exempted, there are several other laws that will apply to it like any other business.

- a) Commercial Law: Many company law provisions will affect the cooperative and members of the committee should be aware of the responsibilities that they have in common with company directors.

- b) Labour Law: If the cooperative employs people then there will be the same laws as will affect employers: e.g. the health and safety requirements of their employees.
- c) Environmental Protection Law: Producer and manufacturer cooperatives may be affected by environmental laws (for example relating to the disposal of waste) emission levels, noise, etc.
- d) Anti-Money Laundering Laws: These are laws setting out controls and policies for the cooperative to follow in order to prevent money laundering activities in the cooperative enterprise. Penalties for money laundering are usually high.
- e) Management will often encounter Physical Planning laws that will affect the siting or refurbishment of buildings or the purchasing of lands.
- f) There may be licenses required to operate certain kinds of businesses or to import or export certain products.
- g) Consumers of the goods sold by cooperatives and services will have certain rights based on ordinary common law and perhaps on consumer protection legislation.

Directors and managers should ask each government department to advise and educate them and all staff on any regulations affecting their cooperative's activities. Where necessary, legal advice should be sought and heeded.

9.3 Roles of members, directors and committees

(Source: Province of Manitoba Cooperative Department n.d.)

- a) Members** - have the overall responsibility to ensure that the new generation cooperative continues as a strong viable organization. Members are expected to:
- patronize and support the cooperative;
 - set broad objectives and bylaws;
 - observe the bylaws and policies of the organization;
 - participate in members meetings and keep informed;
 - provide financing;
 - elect a competent board of directors;
 - appoint the auditor;
 - participate on committees;
 - approve any fundamental changes to the Articles of Incorporation;
 - approve amendments to the bylaws;
 - approve any major purchase or disposal of assets; and
 - remove a director for cause.

b) Directors - are elected by the members to manage the cooperative and to provide leadership. Directors are expected to:

- conduct the business and the affairs of the cooperative in the best interest of the membership;
- develop policies and provide general direction to management, committees and members;
- ensure that adequate financial records, membership list, minute book and other records are kept;
- obtain training required in their roles as directors;
- hire competent management;
- provide information and leadership to members and management;
- monitor performance of management and committees;
- ensure new members receive orientation regarding their rights and responsibilities; and
- approve new member applications and withdrawal or termination of memberships.

c) Committees - Directors may establish various committees (e.g. fundraising, nominating, finance, member relations, building, audit) to perform specific tasks. Committees:

- usually consist of directors, members and sometimes staff;
- act only under the authority of the board;
- should have a specific purpose and written terms of reference; and
- should report to the directors.

d) Management - Directors may delegate responsibilities to management. Management is expected to:

- manage the business operations according to board policies;
- hire and supervise staff;
- present operating reports to the Board and recommend policy changes; and
- promote good public and member relations.



10

COOPERATIVES AND CULTURE

10.1 The nature of cooperatives

One of the most interesting characteristics of a cooperative is its dual nature. A cooperative is both an association of members (a society) and an enterprise (a firm). The association is where the democratic decision-making in a group format takes place, while the firm conducts the economic activities in support of the members. In practice, there is often no clear-cut distinction between these two parts of the organization, certainly not in the mind of the members. Still, it is helpful to make this distinction, as each part creates different responsibilities and tensions.

First of all, there may be tension between the social and economic objectives of the cooperative. As cooperatives are embedded in a community and benefit from the community (making use of social and human capital as well as natural resources available in the community), they are also expected to have a concern for the community. But a cooperative has a primary economic function and has to be run in a business-like manner to remain sustainable. Although member needs may not be easily separated from community needs (for instance a health centre is as much a need of the members as the wider community), there is a difference in priorities.

This situation requires clear communication and good management. The cooperative should make it clear that its viability is in the interest of the whole community and that this viability requires making choices and safeguarding its financial sustainability. There should be a clear distinction between its civic role and its business activities.

This dual nature is considered to be one of the distinctive characteristics of the cooperative culture. For instance, when the modern form of cooperatives was introduced in the Caribbean, it was hoped that the cooperative structure would enhance and also gain strength from the natural cooperative character of the island cultures. In some cases however, the formal cooperative did not achieve this because lack of leadership interest or capacity to explore and build a nexus between the outreach focus of the cooperative and the traditional collaborative, 'koudemain' (lend a hand) culture of the people.

Where, for example, a member owes money to her cooperative that is payable in monthly instalments, but just when she is about to pay the next instalment a relative comes with an urgent problem and asks for financial help from the member. Will this member help her relative or will she pay the instalment due to the cooperative?

Most likely the money will be paid to the relative and postpone payment to the cooperative. This is partly because the person is more attached to relatives than she is to the cooperative; her culture, in that case, told her this is the right thing to do. The justification for that is probably that people feel in the long term they will get more economic security from their relatives than they will from the cooperative. The other telling factor is that the pressure and sanctions applied by Caribbean cooperatives on defaulting members has been soft, when compared with commercial banks, hire purchase companies, finance companies and pay-day lenders.

In Europe, it was the converse. Cooperatives were often started in areas and at times where traditional communities were no longer able to give their members this economic and social security. So people had more loyalty to the cooperative. However, in recent times in the West as people have become more affluent, many have moved away from cooperatives. They feel that they will be better off by embracing the more individual-based market economy.

But now the pendulum is swinging back again. There is a realisation that the modern market economy is still not bringing benefits to everyone and that if benefits are to flow to everyone, people may have to band together in economic activities that are not solely motivated by profit. In Europe some now speak of a part of the economy which is neither the public sector nor the private sector, but a “third sector”. This includes all forms of economic activity that in addition to making profit also aim to develop the community. These forms of business are sometimes called “social enterprises” and the sector is sometimes called the ‘social economy’.

In the Caribbean this “third sector” is sometimes called civil society, which is distinct from government and business. Civil society gives a voice to various groups in society and enriches public participation in democracies. Civil society includes non-governmental organizations (NGOs), registered charities, professional associations, labour and trade unions, faith-based groups, citizen advocacy organizations, community groups, women's organizations, professional associations and self-help groups.

In future, there is likely to be more collaboration between civil society and cooperatives in addressing the social needs of low income people in the society. This collaboration will be a complementary blend in keeping with the 7th ICA principle of Concern for Community.

10.2 Fusing the old and the new

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As history has shown, people were cooperating long before the modern cooperative movement was born. This is very true of the Caribbean where people grow up practising cooperation with each other as naturally as breathing the air around them. Cooperatives may need to find ways of building efficient businesses that embody the traditional cooperative way. Ideally, they should be used as a way of modernising and strengthening that traditional spirit. There may be new areas of economic development such as green economy technologies including harnessing solar and wind energy, and environmental sector enterprises such as recycling and waste management, or developing small-scale eco-tourism where the cooperative model would make economic and social sense.

Even now there may be groups of people who feel that they are disadvantaged and need to band together in new, innovative forms of cooperative enterprises to help themselves. Such forms of working together could be done in semi-formal groupings of people who are related to each other and who want to be involved in new economic activity and benefit from it. As an alternative to the traditional profit motive private enterprise and the not civil society group that is all about service, these groups may find the cooperative model as the ideal balance between commercial activity and values based purpose established to serve people and planet not profits. They are part of the social economy.

10.3 Challenges of cooperatives

The growth of the cooperative movement in the Caribbean region, not unlike those in many developing and some developed countries, has been faced with some challenges that require vigorous responses.

Cooperatives are faced with challenges that can be divided into those that are internal and external to the operations with specific activities going back to the principles in how best to mitigate the impact.

Internal

a) Lack of Business Knowledge

Sometimes a cooperative is perceived as a small business operation and founding members may not see the need to have management expertise to help manage the cooperative. Unless the members agree to invest sufficient time and resources into educating themselves, they run the risk of not being able to make the right business decisions.



One important decision often overlooked by members is the importance of ploughing enough of the profits back into the business so that the business can grow and also deal with competition from other businesses. Members need to be educated in financial management of their cooperative. For example they need to understand the importance of cash flow and of investments by cooperatives, to ensure that the business does not go downhill owing to financial losses from impaired loans and investments, capricious purchasing, or from poor management of inventory, credit and accounts receivable: resulting in severe cash shortages and eventual insolvency.

This can be mitigated by focussing on the 5th Principle – Education, Training and Information. The cooperative through its internal committees, local umbrella organization or government office responsible for cooperatives can plan specific training on business fundamentals affecting their cooperative such as marketing, distribution, packaging, budgeting.

b) Low membership motivation

Members may lose the motivation to care about or contribute further to the business operations of the cooperative, either because the steps and processes are complicated and too numerous, or because the interventions by the regulatory authority are too frequent and intrusive, or to in view of small amounts of capital required.

This can be mitigated by promoting the 1st Principle – Voluntary and Open membership as well as the 2nd Principle – Democratic Member control. In this case, the cooperative may adopt a targeted membership recruitment to attract new members who may have the interest or skills required to participate in the operations.

This is not to say that existing members should not be the focus of targeted outreach. Members must be encouraged to participate fully in supporting their cooperative if not directly by purchasing goods and services, volunteering or promoting their cooperative to bring in new members.

c) Misunderstanding of democratic control

Sometimes democracy can retard or inhibit efficiency. Decisions may follow the advice of the most influential member rather than the most competent member or members may vote for a family member to become a director, rather than the person who has the best skills to lead and grow the cooperative. Many Caribbean cooperatives have failed or are floundering because members perceive that the property of the cooperative is their personal property. They would therefore demand credit, use the cooperative's property without paying for it or pay scant attention to repaying their credit union loans because 'it belongs to us'. Such uncontrolled abuse of ownership status has been detrimental to the image of cooperatives.

This can be mitigated by focussing on the 5th Principle – Education, Training and Information as well as adopting strong Governance practices. Members need to be reminded that the cooperative is a collective established to benefit all members and should not be perceived to be operated in the interest of a few. Adopting transparent processes for the election of Directors as well as clear policies and procedures to guide prudent management are essential in building the credibility as well as the operational stability of the cooperative. (*Module 3: Cooperative Organization and Management*).

d) Marketing

A cooperative may not have enough resources, skilled staff or volunteers to carry out marketing activities. Market studies and customer opinion research need to be carried out before embarking on a sales campaign. Studies should include consumer habits, satisfaction levels and the business environment. It is important for a cooperative to remain visible in today's competitive environment, so that its members and the wider public are aware of the products and services it provides.

This can be mitigated by focussing on the 7th Principle – Cooperation among Cooperatives as well as conducting sound feasibility studies and business planning (*Module 2: Starting a Cooperative Enterprise*). The necessary skills may not be readily found within the cooperative management or Board therefore sufficient resources should be dedicated to acquiring the skills externally. Cooperatives must plan these decisions recognizing how best to raise the capital to fulfil their objective.

e) Aging Membership

Cooperatives now have to address the limitations of aging membership as many cooperatives are led and managed by senior citizens. In order to ensure the sustainability

of cooperatives, younger people must be attracted to become involved in the governance and management of cooperatives.

This can be mitigated by promoting the values and principles of the cooperative movement to appeal and engage a cross generational audience. This can be done in various ways including cooperative youth camps; introduction of youth clubs, integrating the cooperative subject in the formal school curriculum, promotion of school cooperatives (where students at school or college form and run cooperatives of their own thus gaining knowledge and hands-on experience in cooperative organization, leadership and management).

Placing legal limits on the tenure of elected officials on the Board and statutory committees, and restricting the facility with which they remain entrenched by migrating across the said committees – as perpetual directors – has proven to be the most effective measure.

f) Lack of Competitiveness

Some leaders and managers are purists. They consider their role as limited to providing a given service or producing identified goods. While growth in business is pursued, there is hardly any focus on researching the possibilities for an increased share of the domestic market, whether an industry bloc or as a defined network. Improving the quality and range of the society's offerings, strengthening worker productivity and investing in greater production technology are big steps towards becoming competitive.

This can be mitigated by focussing on the 7th Principle – Cooperation among Cooperatives similar to the approach required for addressing challenges under lack of business knowledge. The cooperative through its internal committees, local umbrella organization or government office responsible for cooperatives can plan specific training on business fundamentals affecting their cooperative on topics such as market research, competitive scans, supplier and distribution chains.

g) Weak Management

Comfort with retaining persons who often do not have the knowledge, skills or attitudes or qualifications suitable for managing the cooperative. Planning, organisation, coordination, innovation, budgeting, controlling and directing people are key attributes of the management team, in which the executives of the society must be proficient; here again is the case for co-opting young interns.

This can be mitigated by focussing on the 5th Principle – Education, Training and Information as well as adopting sound management systems and controls (*Module 3: Cooperative Organization and Management*). The cooperative through its internal committees, local umbrella organization or government office responsible for cooperatives can plan specific training on business fundamentals affecting their cooperative such as bookkeeping, hiring, budgeting and planning.

External

a) Enabling Legislation

Notwithstanding Principle 4 (Autonomy and Independence) and the growth and complex nature of some cooperatives, Caribbean governments do not tend place a high premium on updating cooperative legislation and regulations. External agencies are historically more influential in lobbying governments to update the enabling environment for this economic segment.

It is within the mandate of the national league to encourage and lobby for cooperative policies, laws and regulations, so that the drafting becomes a collaborative process between government, cooperatives, and other relevant stakeholders.

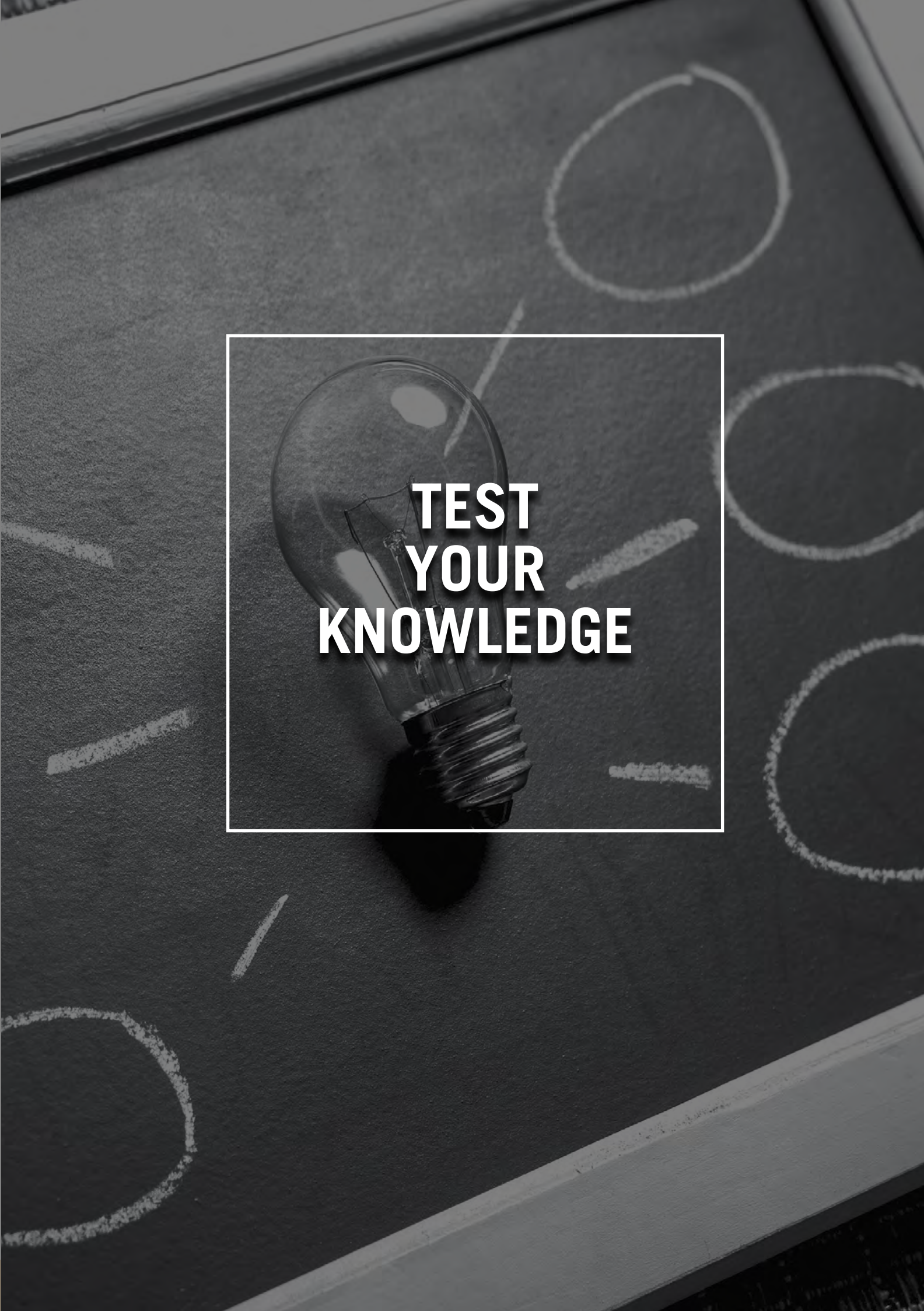
This can be mitigated by focussing on the 7th Principle – Cooperation among Cooperatives as well as building strong secondary bodies. Cooperatives will advance their mandate by adding their voices with other cooperatives and values based entities seeking to influence legislation and regulations.

With most of these challenges identified as being internal to the cooperative, there is an opportunity to take certain action to influence the outcome and in so doing, make the enterprise more effective at serving the needs of its members and community.

Now that you have reviewed the history, definition, values, and principles of cooperatives, understand the advantages and impact they make, it is now time to learn what is required to form a new cooperative.

You can now move to *Module 2: Starting a Cooperative Enterprise* to learn a step by step guide in starting a new cooperative.



A black and white photograph of a chalkboard. A lightbulb is placed on the surface of the chalkboard. The text "TEST YOUR KNOWLEDGE" is written in large, bold, white capital letters across the middle of the lightbulb. The chalkboard has several faint, hand-drawn circles and lines on it. The lightbulb is positioned in the center-left of the frame, and its shadow is cast onto the chalkboard surface below it.

**TEST
YOUR
KNOWLEDGE**

a) What is a Cooperative? Why is it different from other business enterprises?

b) List and explain four (4) Cooperative Values.

c) What are the seven (7) ICA Cooperative Principles?

d) Briefly describe the origins and development of the cooperative movement in the Caribbean.

e) What were the factors subscribing to the success of the Rochdale Society of Equitable Pioneers?

f) What are the various types of Cooperatives in the Caribbean?

g) Name and describe three (3) advantages of forming a Cooperative by fishermen who, individually cannot afford fishing gear and an organized marketing system for their catch?

h) List and describe five (5) major types of cooperatives.

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