

INTERNATIONAL CO-OPERATIVE ALLIANCE

# BLUEPRINT FOR A CO-OPERATIVE DECADE



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This Paper has been written under the guidance of the Planning Work Group of the International Co-operative Alliance by Cliff Mills and Will Davies, Centre for Mutual and Employee-owned Business, University of Oxford.

## THE MEMBERS OF THE PLANNING WORK GROUP ARE:

**Dame Pauline Green**  
*Chair – President, International  
Co-operative Alliance*

**Mark Craig**  
*Co-operative Group (UK)*

**Zhang Wangshu**  
*All China Federation of Supply and  
Marketing Co-operatives (China)*

**Stéphane Bertrand**  
*Desjardins (Canada)*

**Nelson Kuria**  
*CIC Insurance Group (Kenya)*



## CLIFF MILLS

Cliff Mills is a practitioner in the law and governance of co-operative, mutual and membership-based organisations. He has written the constitutions of a number of the UK's leading co-operative retail societies, and worked extensively in the development of new co-operative and mutual models for public services. He has played a significant part in the development of co-operative law in the UK.

As well as being a Senior Research Associate with the Oxford Centre for Mutual and Employee-owned Business, Cliff is Principal Associate with Mutuo, and consultant with Capsticks Solicitors LLP and Cobbetts LLP.

## DR WILL DAVIES

Will is Assistant Professor, Centre for Interdisciplinary Methodologies, University of Warwick. His research is in economic sociology and political economy. He has authored a number of policy reports on mutualism, including *Reinventing the Firm* (Demos, 2009), *Bringing Mutualism Back into Business* (Policy Network, 2010) and *All of Our Business* (Employee Ownership Association, 2012). He contributes regularly to media and policy debates about ownership and mutualism, and has written for *The Financial Times*, *The New Statesman*, *Prospect*, the BBC and *The New Left Review*.

Will was the Academic Director of the Centre for Mutual and Employee-owned Business until September 2012. Dr Ruth Yeoman now holds this post and has assisted in the completion of this Blueprint.

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# INTRODUCTION



In 2009, the General Assembly of the United Nations proclaimed 2012 to be the United Nations International Year of Co-operatives<sup>1</sup>.

At the present time in the second half of 2012, following five years of financial turbulence the more developed economies of the world remain in a state of crisis from which there is still no apparent exit, and the developing economies are being impeded in their pursuit of the Millennium Development Goals. In many nations, governments are in retreat, cutting their social and public spending, leaving citizens even more vulnerable to economic turmoil. In others, inequality continues to increase as economic power is shifting dramatically with consequential social impacts. A general movement of global power from West to East may be apparent, but there is still little sense of how political institutions are to be reformed to cope with growing social unrest, economic stagnation and future insecurity.

In the midst of this uncertainty and suffering, co-operatives can provide some hope and clarity of direction for citizens around the world. Uniquely amongst models of enterprise, co-operatives bring economic resources under democratic

2012 INTERNATIONAL YEAR OF CO-OPERATIVES

“Co-operatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.” *Ban Ki-moon, UN Secretary General*

**The United Nations’ goals for the International Year of Co-operatives are to:**

- Increase public awareness about co-operatives and their contributions to socio-economic development and the achievement of the Millennium Development Goals.
- Promote the formation and growth of co-operatives.
- Encourage governments to establish policies, laws and regulations conducive to the formation, growth and stability of co-operatives.

control. The co-operative model is a commercially efficient and effective way of doing business

institutions create long-term security; they are long-lasting, sustainable and successful.

## “rarely has the argument in favour of co-operatives looked stronger”

that takes account of a wider range of human needs, of time horizons and of values in decision-making. It is an approach which works on a very small, and on a very large scale. The co-operative sector is worldwide, providing millions of jobs around the globe. Co-operatives develop individual participation, can build personal self-confidence and resilience, and create social capital. Co-operative

This is an historic moment of opportunity for the co-operative sector. With political institutions in many nations struggling to keep up with a rapidly changing world, it is essential that citizens become increasingly resourceful, enterprising and co-operative in order to face the inevitable social and environmental challenges we face as a world community. Rarely has the argument in favour of co-operatives looked stronger than it does in 2012. But unless there is concerted action over the next few years, the moment will be lost.

By 2020, poverty will have increased, the plight of young people will have deteriorated, and global warming will be having more frequent impacts on everyday life. By 2020, we need to be able to look back on 2012 as representing a turning point for the co-operative idea, and the contribution it is making to people’s security, well-being and happiness.

- Co-operatives have **1 billion members** around the world  
*Worldwatch Institute, Vital Signs publication, 22/2/2012*
- In India the consumer needs of **67% of rural households** are covered by co-operatives  
*ILO (2011) Co-operatives for people centred rural agriculture*
- 40% of African households belong to a co-operative
- 300 largest co-operatives had a combined annual turn-over of \$2 trillion in 2010  
*World Co-operative Monitor: Exploring the Co-operative Economy 2012*



# PURPOSE OF THIS DOCUMENT

This document was considered in draft by the General Assembly of the International Co-operative Alliance (ICA) in Manchester in October 2012. Following comment and discussion (now reflected in this revised version) the Blueprint was approved by the General Assembly. It is now issued in its final form.

The intention of the General Assembly is that the United Nations International Year of Co-operatives marks the beginning of a world-wide campaign to take the co-operative way of doing business to a new level. The ambitious plan in this Blueprint - the "2020 Vision" - is for the co-operative form of business by 2020 to become:

- The acknowledged leader in economic, social and environmental sustainability
- The model preferred by people
- The fastest growing form of enterprise

The 2020 Vision seeks to build on the achievements of the International Year of Co-operatives and the resilience demonstrated by the co-operative movement



## “the International Year of Co-operatives has provided a powerful focal point for the sector”

since the great financial collapse. By pursuing the strategy outlined in this Blueprint, we aim to make 2011-2020 a Co-operative Decade of confident growth.

The International Year of Co-operatives has provided a powerful focal point for the sector. It has heightened its sense of shared purpose, illustrated by the range of activities and celebrations of the International Year, by the number of international conferences and summits held around the world with agreed outcome declarations<sup>2</sup>, as well as the wide-spread take-up of the 2012 International Year logo by co-operatives around the world. It has raised the profile of co-operatives beyond the limits of the sector itself, in civil society and amongst governmental and inter-governmental bodies.

These are significant achievements, but they need to be seen in the context of the dominant emerging trends that are likely to shape our politics, societies and economies for the foreseeable future<sup>3</sup>. Some of the most crucial Global Trends are:

- Environmental degradation and resource depletion

- An unstable financial sector
- Increasing inequality
- A growing global governance gap
- A seemingly disenfranchised younger generation
- A loss of trust in political and economic organisations

Co-operatives already make a significant contribution towards alleviating these pressing global problems. But, with appropriate support and greater understanding and recognition, they could contribute much more. We therefore believe that the major priorities are to make far more people aware of the co-operative form of enterprise, to provide people with the tools and back-up to establish, fund and develop sustainable co-operatives, and to remove barriers that get in their way

Hence the purpose of this document is to set out a proposed Blueprint for a Co-operative Decade, and provide a clear direction for the coming years. The challenge now is for the ICA, national bodies, sector groups, co-operative societies and individual members to take this Blueprint forward into implementation.

# SUMMARY OF THE BLUEPRINT STRATEGY

The starting point for the strategy for a global co-operative future is the powerful claim which co-operatives make to the outside world: that they have a way of doing business which is both better, and brings a more effective balance to the global economy than the dominance of one single model as now.

- Co-operatives are better because they give individuals **participation**<sup>4</sup> through ownership, which makes them inherently more engaging, more productive, and both more useful and more relevant in the contemporary world. The aim is to elevate participation within membership and governance to a new level.
- Co-operatives are better because their business model creates greater economic, social and environmental **sustainability**.
- Co-operatives are better because they are a business model that puts people at the heart of economic decision-making and bring a greater sense of fair play to the global economy. The objective is to develop our external identity.

Chapters 1 (Participation) and 2 (Sustainability) explain why co-operatives offer a better way of doing business. Chapter 3 then effectively sets out the co-operative proposition for today: what it means to be a co-operative and what are the defining characteristics or “irreducible core”.

- This is looked at through the lens of **identity** – which is defined by the core values and principles of co-operation, and needs to be communicated through a powerful and

distinctive message to ensure that co-operatives are seen and understood by everybody from policy-makers to the general public. So the aim is to build the co-operative message and secure the co-operative identity.

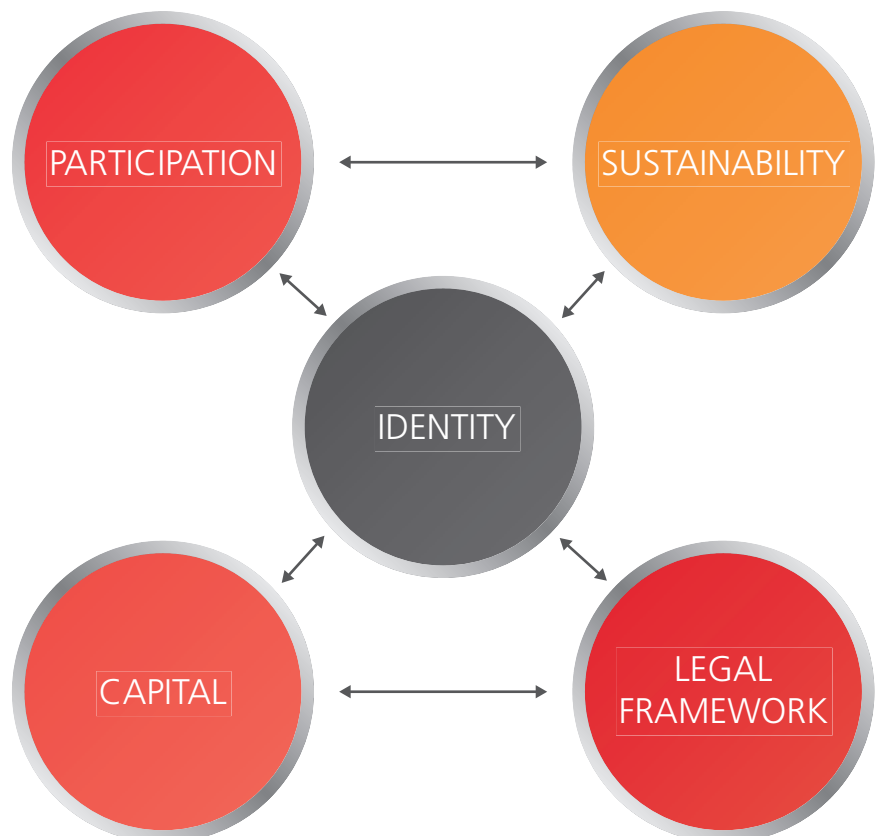
With the intrinsic and abiding value of the co-operative model clearly established, and a distinctive co-operative identity and proposition described, attention turns in chapters 4 and 5 to what facilitates or inhibits co-operatives.

- Co-operatives in every jurisdiction sit within a **legal**

**framework**. This framework plays a critical role for the viability and existence of co-operatives. The Blueprint seeks to ensure supportive legal frameworks for co-operative growth.

- Co-operatives need access to **capital** if they are to be established, grow and flourish. The aim is to secure reliable co-operative capital while guaranteeing member control.

These are the five interlinked and overlapping themes of the Blueprint strategy, which can be illustrated as follows:









To pursue the 2020 Vision, the Blueprint strategy therefore involves concentrating on these 5 critical interlinked themes, and establishing implementation strategies in relation to each of them. The overarching agenda for the ICA, its members and the co-operative sector generally is laid out here:

- 1 Elevate **participation** within membership and governance to a new level
- 2 Position co-operatives as builders of **sustainability**
- 3 Build the co-operative message and secure the co-operative **identity**
- 4 Ensure supportive **legal frameworks** for co-operative growth
- 5 Secure reliable co-operative **capital** while guaranteeing member control

Each of these themes represents a priority area for the ICA, its members and the wider co-operative sector. Each chapter of this document concludes with some possible and indicative actions that might be taken, in pursuit of these goals. It is for the ICA, its Board, members, regions, sectoral organisations and networks to decide on actions they need to take to implement the Strategy, and to regularly assess progress and impact across a wide range of factors including social, environmental and economic. Through working together on these themes the co-operative community can collectively drive forward its pursuit of the 2020 Vision.

Following the International Year of Co-operatives, it is intended that this Blueprint will provide the ICA and its members with a clear focal point for future activity, underpinned by ambitious goals.

# 1. PARTICIPATION



# “ELEVATE PARTICIPATION WITHIN MEMBERSHIP AND GOVERNANCE TO A NEW LEVEL”

Democratic member participation is the best-known feature of the co-operative way of doing business, and a major part of what characterises a co-operative in contrast to investor-owned businesses.

The individual member has a role to play in a co-operative which goes beyond the basic economic relationship of customer, worker or producer. Collectively members own their co-operative, and through democratic arrangements they participate in its governance. Individually they have a right to information, a voice, and representation. In this Blueprint we use the word “participation” as shorthand to refer to this bundle of rights.

There is good evidence to suggest that providing consumers and workers with a voice inside organisations produces better, more intelligent and responsive forms of business<sup>6</sup>. Consumer and credit co-operatives reduce poverty and make a positive contribution in skill development, education and

gender equality<sup>7</sup>. Higher levels of worker engagement and more effective decision-making are achieved through worker membership because the distinctively democratic structures fostered by co-operatives enable individual participation to result in real influence within the enterprise through democratically legitimised authority. The co-operative tradition of democratic participation in the workplace enables individuals to develop the skills and confidence for participation in their communities and societies<sup>8</sup>. Co-operatives are sites for learning how to participate in democratic decision-making, and, as such, they generate a public good which exceeds their economic imperative. Thus, democratic participation in co-operatives supports both better business decisions and stronger communities.

## THE SEVEN CO-OPERATIVE PRINCIPLES<sup>9</sup> - APPLIED

### The co-operative enterprise

### The co-operative individual

#### People can join – and leave

I can find a common interest with others if I am open to their needs and if I behave in a way that enables them to co-operate with me.

#### Your voice will be heard

Because I have an equal say in what happens, I listen and I communicate openly and honestly.

#### You control the capital

I keep a close eye on what we are trying to do together and the decisions I make are guided by this.

#### Together, you are autonomous

I help others so that they can help themselves and they help me in the same way, so that together we are more in control of our future.

#### You can develop yourself

I am interested to learn from those and others around me so that I can behave in a more co-operative way.

#### You can be more successful by co-operating with others who know how to co-operate

I look for opportunities to co-operate with others in new settings.

#### You can do something for your community even as you keep succeeding

I am aware that I am part of a larger system and I am committed to doing what I can to make it better.



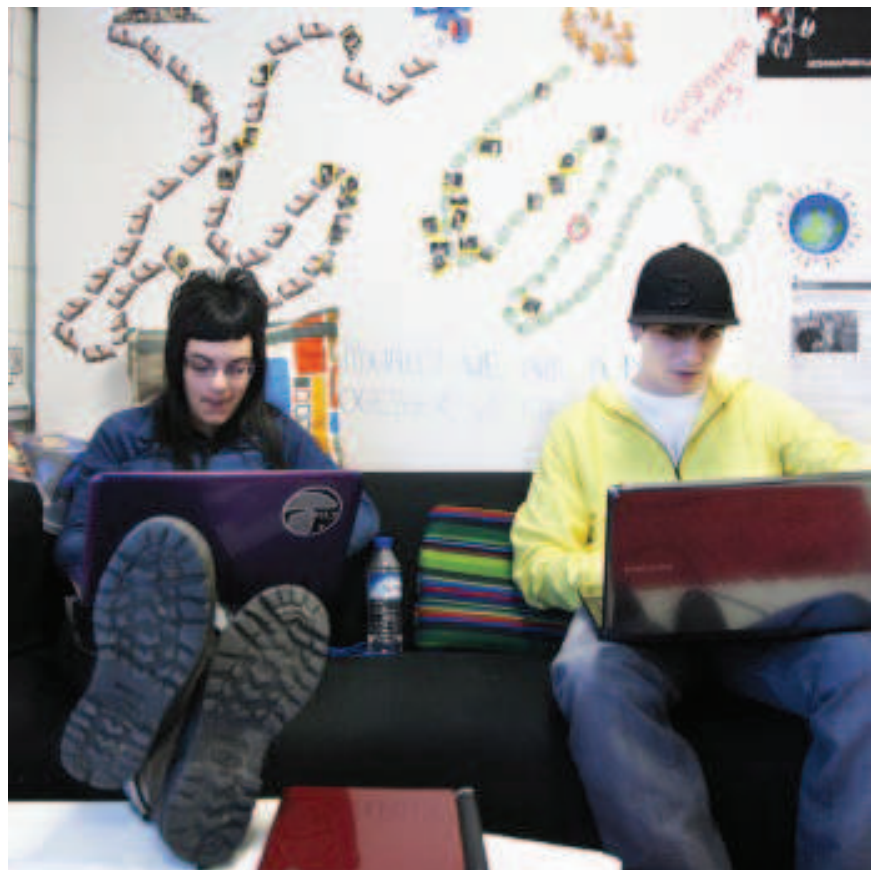
# MY BENEFIT – OUR BENEFIT

Those social pioneers who established co-operatives over previous centuries had a clear vision: they could see that by getting people to collaborate and work together, they could meet both their individual and collective needs for access to goods and services, or to work. For them, participation was the means to an end, not an end in itself. They became involved or engaged in order to meet their needs: it was part of the process of establishing their co-operative and making it perform better.

The contemporary consumer-world of developed economies is very different. Through modern transport systems, multiplicity of competing suppliers, and more recently the power of the internet, lack of access has been replaced in many cases by a wide range of choices. A consumer culture prevails. Not only does this remove the need for self-help initiatives at community-level, but at individual level it has a tendency to make us apathetic, complacent, or just plain lazy. It discourages civic participation, and encourages the pursuit of personal pleasure and satisfaction.

The global financial crisis and the failure of the developed economies and their institutions to meet the needs of their citizens have dramatically changed today's landscape. With growing inequality, and collapsing trust in commercial, governmental and even religious institutions, sitting back and waiting for somebody

else to solve the problems no longer seems to be sensible. The Global Trends analysis already referred to identifies as the first of its three global trends "the empowerment of individuals, which contributes to a sense of belonging to a single human community".<sup>10</sup>



## DRIVERS OF CHANGE

- The global emergence of the middle class, interconnected by myriad networks. As a result, citizens will want a greater say in their future than previous generations.
- Growing awareness that the demands and concerns of people in many different countries converge, with shared aspirations and shared grievances. This will contrast sharply with governments' capacity to deliver public goods, particularly those relating to improving quality of life, resulting in an expectations gap.
- Increased civil society pressure for direct participation in the political arena. Greater participation and knowledge coupled with a growing expectations gap may lead to tensions, revolt and conflict. The youth movements of 2011 – from the ranks of which many members of the power elite of 2030 are likely to emerge – are aware of the problems facing representative democracy.

This is a very different context. The disenchantment and disengagement of younger people is already apparent, as they become aware of the institutions and systems they are inheriting, together with the immediate economic challenges they face (the “graduate with no future”<sup>11</sup>). From Los Indignados of the Spanish cities, to the worldwide Occupy movement, there is what has been described by one American philosopher as a “democratic awakening”.<sup>12</sup>

In this context, participation – including wider democratic participation – becomes an end in itself, a way of countering the accumulation of power in the hands of a small elite, and a way

social media and the rise of ‘post-bureaucratic’ governance introduce greater horizontal organisation and transparency.

Co-operatives needn’t – and mustn’t – abandon the definition of their voting membership; but unless they remain open to the new possibilities for participation and engagement and willing to innovate, they might miss out on opportunities to inspire and involve a new generation of members. Moreover, they risk looking slower and less responsive, in comparison both to new network-based movements such as Occupy, and to profit-seeking ventures which engage with audiences and consumers in new interactive ways.

others work collaboratively to achieve greater business efficiency. Collaborative participation involving these and other important groups in particular sectors (such as carers, parents, local residents, specialist local groups) provides a platform for exploring more flexible and effective mechanisms for businesses, embedding the idea of co-production in the design of the organisation itself, and giving them a competitive edge over traditional single-interest businesses.<sup>14</sup>

Grass-roots participation also has an important role to play in relation to the ICA itself. One facet of the shifting tectonic plates of power at governmental level is the growing importance of new governance hubs like G20. As the world’s biggest problems cry out for shared solutions, so the importance of multilateral institutions increases. The ICA is one of these institutions. It owes its existence – as well as its legitimacy and authority – to the grass-roots membership of one billion people in their co-operatives around the world, and to their co-operatives’ participation in their national bodies. Nurturing participation at grass-roots level therefore strengthens

## “participation is once again becoming one of the co-operative sector’s most valuable assets”

of challenging the dated ways of previous generations which seem to be failing. It enables individuals to have some level of influence over things affecting their lives. This meets a need for democratic participation in a whole range of institutions from which individuals currently feel excluded and which also seem to lack any real accountability. So participation is once again becoming one of the co-operative sector’s most valuable assets.

But the possibilities for participation and the expectations that (especially) younger people have for participation have changed dramatically in recent years.<sup>13</sup> Looser, networked forms of association have been rising in recent years, in which the division between ‘member’ and ‘non-member’ is less clearly defined. The digital revolution,

The function of participation in a co-operative is also evolving in some economies with the emergence of new types of co-operative organisation, particularly in areas of public service such as health and social

## “one facet of the shifting tectonic plates of power at governmental level is the growing importance of new governance hubs like G20”

care; in new technologies, particularly renewable energy and other green technologies; and in the creative use of mobile technology and portable wi-fi, to bring financial services to remote agricultural and other co-operatives. In these organisations, users, workers and

the legitimacy and authority both of front-line co-operative organisations, but also and particularly of their representative bodies such as the ICA.

# THE GOAL

The aim is to elevate participation within membership and governance to a new level, and to do this by focussing on the practical aspects of participation:

- Specifically and directly focussing on young adults and young people, exploring their mechanisms for forming and maintaining relationships, and considering whether established traditional mechanisms for participation and engagement can and need to be adapted. The co-operative sector needs to offer a genuine welcome to young people, inviting them to take a real part and to help to shape the future. They should be involved in planning the implementation of this Blueprint. This involves considering a range of questions. Are younger generations evolving their own mechanisms for collaboration which the established co-operative sector can learn from and adopt? Are co-operatives providing the most appropriate access points for young people? Are they committed to creating a space or platform for them, and enabling them to shape the future? Are they even using the right language?
- Leading innovation in democratic participation, engagement and involvement, and identifying, disseminating and upholding best practice. This includes developing best practice in relation to communication, decision-making, meeting (both physically and virtually), and openness. It also includes exploring ways of encouraging, retaining and building participation by providing member-benefits and incentives.
- Securing support for all co-operatives to adopt membership strategies and to report on them annually. With co-operatives serving diverse and extensive communities, the co-operative sector has an interest in maintaining some standards in securing representative membership, both defensively so as not to be seen as exclusive, and pro-actively with a view to meeting human need as well as building the business. Good practice in membership development is not just consistent with following the 5th Co-operative Principle (Education, training and information) and the 7th Co-operative Principle (Concern for the community), but it is also something on which co-operatives should seek to demonstrate their excellence, distinguishing themselves from other forms of organisation.
- Exploring the parameters of traditional membership, considering how other innovative and traditional forms of participation (such as comment, conversation and debate, engagement via social media) do and could interface with membership, and whether different levels of participation (e.g. member, supporter, follower) are appropriate or not in this context.
- Securing their leadership in innovation in the context of work organisation including co-production and human resource management practices. Through the advantages of employee-member participation in decision-making and information sharing, co-operatives can and must address the competitive pressure from investor-owned and private companies.
- As a separate initiative and linking into the theme of capital below, investigating a different more limited form of participation for providers of capital, which does not undermine or damage co-operative nature.

This is considered both an important and a legitimate goal for the ICA to pursue, and an important part of its role. Individual co-operatives are

“this is considered both an important and a legitimate goal for the ICA to pursue”

focussed on meeting the needs of the people they serve and running their business. It is the role of the national bodies and the ICA to undertake activities which will support co-operatives in the long-term. They should be doing things which help to build successful, sustainable co-operatives, and which nourish and nurture individual co-operators as they go about their day to day business.



# HOW MIGHT THE GOAL BE ACHIEVED?

As explained further in the conclusions below, responsibility for planning implementation is shared across the co-operative sector. However to give an indication of some of the ideas which have already emerged in discussion within the ICA, and to prompt discussion, but without either being prescriptive or imposing restrictions at this stage, the following ideas are offered.

## POSSIBLE OR INDICATIVE ACTIONS

- Finding new ways of **'joining up'** co-operators within the co-operatives sector to create a more connected network of co-operators.
- Gathering and collating information about **best practice**; finding and sharing the best ideas, including in such areas as age and gender balance; identifying negative or damaging trends, helping to expose bad practice and developing tools and techniques to improve it.
- Gathering and collating information which demonstrates how such examples of best practice are positively linked to **strong performance** across a broad range of indicators, including, for example, financial success, employee engagement, social engagement and environmental sustainability.
- Working with young adults and young people and the **social media** industry to explore the motivation of younger generations in relation to collaborative activity and affinity; how communication and the forming of relationships have changed and are changing both on-line and off-line; examining the practices which have evolved in recent movements.
- In relation to participation of **non-user funding members**, gathering evidence of existing models and practice (see further below).
- Engage the **Global 300 co-operatives** to strengthen visibility of co-operative success and impact and to amplify the co-operative voice, such as through a Leadership Roundtable.
- Examining and challenging existing practices of **co-operative democracy**, gathering evidence of innovative practice, encouraging trials of alternative approaches and collating data.

**“amplify the co-operative voice, such as through a leadership roundtable”**





# 2. SUSTAINABILITY





# “ POSITION CO-OPERATIVES AS BUILDERS OF SUSTAINABILITY ”

Investor-owned business models currently suffer from a crisis of unsustainability, in economic, social and environmental terms. The financial crisis has been an epic example of the perils of valuing very short-term gain over longer-term viability. The dominant model of capitalism of the past three decades has also been accompanied by increased levels of inequality, translating into lower levels of ‘social capital’ and wellbeing.<sup>15</sup> Meanwhile, the quest for ‘shareholder value’ by PLCs very often involves sacrificing environmental sustainability, as the case of the BP Gulf of Mexico spill revealed (see box below).

These crises all derive from a business model that puts financial return ahead of human need, a model that seeks to privatise gains and then socialise losses. As the Harvard Business School guru, Michael Porter, has argued, the future belongs to those businesses which invest in “shared value”, that is, which account properly for their impact on customers, environment, employees, and the future.<sup>16</sup>

“Sustainability in a general sense is the capacity to support, maintain or endure. Since the 1980s human sustainability has been related to the integration of environmental, economic, and social dimensions towards global stewardship and responsible management of resources.”<sup>17</sup> Co-operatives have always set out to enable people to have access

to goods and services without exploitation. This has meant trading in accordance with a set of values based on what we would today call sustainability. By placing human need at their centre, co-operatives respond to today’s crises of sustainability and deliver a distinctive form of “shared value”. Quite simply, a co-operative is a collective pursuit of sustainability. Co-operatives seek to ‘optimise’ outcomes for a range of stakeholders, without seeking to ‘maximise’ the benefit for any single stakeholder. Building economic, social and environmental sustainability should therefore be one of the over-arching motivations and justifications for a growing co-operative sector. It offers an answer to the question of why co-operatives are necessary and beneficial, at this historical



conjunction. Put simply, co-operatives are more efficient than investor-owned businesses, once a more complete range of costs and benefits (present and future) is taken into account.

The ICA must take a lead in outlining a vision of the co-operative economy, which values long-term outcomes and spill-over costs/benefits. At the same time, it needs to draw on expertise and best practice from outside of the co-operative sector, to articulate and measure the forms of value that co-operatives produce for society, and which the dominant model of capitalism dramatically under-produces. This chapter lays out a strategy for how this can be done.

The eleven workers who were killed at the ruptured well, and the 4.9 million barrels of oil that spilled, are slipping out of memory. The short-term environmental damage was not as catastrophic as feared, and the long-term impact — the toll the oil will take as it moves through the food chain of Gulf marine life — is not yet known. Yet the reports of the past year and anniversary-themed books on the disaster provide a trove of data that reveals how the oil and gas industry is as reckless and unaccountable as the too-big-to-fail banks that brought on the financial crisis of 2008. The BP disaster revealed the same problems — lax government regulation, corporate profits despite the risks, a fawning press — that characterized the financial meltdown. Big banks and big oil have more in common than their size.

*‘What happened at Macondo Well’, New York Review of Books, 29th September 2011*



# THE GOAL

Although there are some local exceptions, at present sustainability is not a term that is universally associated with co-operatives. This is what needs to change by 2020 – to position co-operatives as builders of sustainability. The co-operative sector needs to demonstrate convincingly that sustainability is in the intrinsic nature of co-operatives, and that co-operative enterprise makes a positive contribution to sustainability in three senses:

- **Economic:** There is considerable evidence that a diversity of ownership forms contributes to a more stable financial sector as a whole.<sup>18</sup> The investor-owned company was central to how the financial crisis occurred, with managers acting in the interests of themselves and a very small number of stakeholders. Outside of the financial services sector itself, there has been growing concern that the promotion of 'shareholder value' undermines the long-term productive potential of companies.<sup>19</sup>

Co-operatives have a number of positive messages to share here. Firstly, financial co-operatives act in the interests of their members, not shareholders. They pursue 'stakeholder value' not 'shareholder value', making them intrinsically less risky. There is good evidence to suggest that credit co-operatives contribute to greater financial stability and sustainability.<sup>20</sup>

Secondly, by putting human need and utility at the centre of their organisational purpose, rather than profit, co-operatives do not suffer from the same

problem of short-termism that afflicts all manner of financial and non-financial firms. To put this in another way, they do not suffer from the problem of 'financialisation' that has afflicted capitalism over the past twenty years, in which financial performance is the central indicator of good business. By their nature and form of ownership, they are less likely to reduce the quality of products or services in the pursuit of profit. They thereby improve the diversity and overall ecology of business forms, introducing real choice as to how business is done.<sup>21</sup> In developing economies, they play a mainstream role in economic development, both directly and indirectly as well as supporting the introduction of new technologies (see text box).

- **Social:** Amongst the negative externalities generated by contemporary capitalism, and which the state is often tasked with addressing, are social problems associated with individualism and inequality. Some of these simply involve unnecessary human suffering, as increasingly measured by happiness economists and wellbeing surveys. Others bring monetary costs for governments, where they are manifest as health problems and crime. The study of 'social capital' suggests that societies with higher levels of membership associations also do better economically, in addition to enjoying higher levels of trust and democratic participation.<sup>22</sup>

"We have arrived at a situation in which the ownership and control of banks is typically vested in agents representing small slivers of the balance sheet, but operating with socially sub-optimal risk-taking incentives. It is clear who the losers have been in the present crisis."  
*Andy Haldane, Executive Director for Financial Stability, Bank of England. <http://www.lrb.co.uk/v34/n04/andrew-haldane/the-doom-loop>*

Co-operatives show a tendency to resist crises over history. This is true of the present crisis – co-operative banks and credit unions have done well over the course of this banking crisis. E.g. Rabobank grew to 42% of its market in 2008 and its member institutions received 20% increase of deposits. Membership levels of credit unions has been rising over 2008-09  
*J. Birchall & L. Ketilson (2009) Resilience of the Co-operative Business Model in Times of Crisis. ILO*

Canada: 1 in 3 Canadians are members of the credit union system [The Globe and Mail, 15/5/2012] and the credit unions have a growing share of the retail deposit markets and the residential mortgages markets, which were at 16% and 19% respectively in 2010. [Moody's investors service global banking report 123026, April 2010] As of the first quarter of 2012, Desjardins ranks 16th of 7,500 deposit taking financial institutions in North America and is 2nd for its Tier 1 Capital Ratio, which is at 16.0%. [Desjardins Group Q1 2012 Financial Report].



Co-operatives make a very positive contribution here, in two ways. First, they deliver social services to the needy. The extent of 'social co-operatives' varies from country to country, but is a widespread phenomenon in some nations such as Italy and Japan.<sup>23</sup> Co-operatives aren't simply market operators, but also deliver services that would otherwise come from private insurance or the state. Where this happens, there is a very strong fiscal case for states to support them in doing this, especially in the context of apparent fiscal crises. Second, membership and association are goods in and of themselves, while also acting as important resources on which successful societies – and economies – thrive.

Co-operatives contribute to the stock of a nation's 'social capital', in ways that investor-owned businesses do not. The United Nations recognises this, urging Governments to encourage and facilitate "the establishment and development of co-operatives, including taking measures

**“co-operatives contribute to the stock of a nation's 'social capital', in ways that investor-owned businesses do not”**

aimed at enabling people living in poverty or belonging to vulnerable groups to engage on a voluntary basis in the

creation and development of co-operatives”.<sup>24</sup> This is crucial to developing nations. It is a factor which endears them to governments and policy-makers, and enables them to out-perform their profit-maximising rivals in ways which are understood and appreciated.

- **Environmental:** There is a growing body of evidence demonstrating that co-operatives have a

An estimated 250 million farmers in developing nations belong to a co-operative.  
*World Bank (2007) World Development Report 2008: Agriculture for Development*

In Kenya, co-operatives employ 300,000 people and create work indirectly for 2 million via the finance and opportunities they create.  
*ILO (2012) How women fare in East African co-operatives: the case of Kenya, Tanzania and Uganda*

A Stanford University study found that new technologies can improve agricultural sustainability in developing countries, but only with the engagement of local farmers and the social and economic networks they depend on. A study of farmers in the Yaqui Valley, Mexico, found that farmers were far more likely to gain information on implementing new technologies from their local credit union, than from scientists. The researchers argue that efforts to introduce new, more sustainable technologies into agriculture must work via participatory institutions, such as co-operatives.  
*Stanford University (2011) <http://news.stanford.edu/news/2011/june/understanding-farmer-networks-060211.html>*

superior environmental record. There are various reasons for this. First, as participatory organisations, concerns about future environmental outcomes can simply be voiced democratically by members, without needing to be calculated in terms of return on investment. Second, where co-operatives are multi-stakeholder, the capacity for businesses to push negative environmental externalities (i.e waste and pollution) upon particular stakeholders is diminished.<sup>25</sup>



Développement International Desjardins (DID) works with the Canadian International Development Agency and is a leader in microfinance, with 8.8m members and clients globally and an overall loan portfolio of CAN\$2.5bn. Recent projects include funding rebuilding in Haiti, a CAN\$ 11m loan portfolio in Panama at end of Dec 2011, supporting 1700 entrepreneurs and a loan portfolio of CAN\$7m in Zambia, where they account for 35% of the microfinance market.

<http://www.did.qc.ca/en/our-partners/performance-report/>

A study of co-operatives in Sri Lanka and Tanzania found that the vast majority of co-operatives reduced poverty. They also make a positive contribution in non-income areas such as skill development, education and gender equality. *Birchall & Simmons (2009) Co-operatives & poverty reduction: evidence from Sri Lanka and Tanzania.*

*Co-operative College*

In China, co-operatives provide 91% of microcredit.

*[Global to Local]*

Credit unions allow a remittance system to provide low cost money transfer from people working in developed countries to their families in developing countries, which is especially important in Latin America.

*[ILO Sustainable Enterprise Programme: Resilience of the co-operative business model in times of crisis, p.26.]*



Wind-power co-operatives are growing in number: The model – whereby local communities provide funding for a wind farm, allowing them reduced energy costs in the long-term - is popular in Scandinavia but has also spread elsewhere in the last decade: e.g.1 in North Frisia, Germany, 90% of the 60 wind farms are community-owned; e.g.2 National Wind, a Minneapolis company founded in 2003 is a developer of large-scale community based wind power projects, which have an aggregate capacity of over 4,000 MW and seek to revitalise rural economies by promoting investment in domestic renewables.

The goal to position co-operatives as builders of sustainability should include establishing a wide public understanding of the business sustainability of co-operatives as businesses. There are continuing tensions within any business

between economic, social and environmental interests, but through seeking to satisfy the needs of ordinary citizens, co-operatives tend to pursue a convergence between these interests. This results in greater organisational sustainability.

Lastly, the goal should include the ambition for co-operatives globally through the ICA to influence the geo-political order in this vital area where individual governments struggle to make or stick to commitments.

# HOW MIGHT THESE GOALS BE ACHIEVED?

At the centre of this strategy must be a concerted effort to collect and publicise the right sorts of data about co-operatives. This includes the following:

## POSSIBLE OR INDICATIVE ACTIONS

- **Innovations in accounting:** the co-operative sector needs to take the lead. There is already a large number of initiatives through which businesses, social enterprises and charities are being encouraged to capture their non-financial performance, such as 'triple bottom line accounting' (TBL), 'balance scorecard approach', 'social return on investment' (SROI), 'social impact reporting', 'wellbeing' measurement.<sup>26</sup> Some of these attempt to convert their various outputs back into monetary terms, as is the case with SROI; governments also do this when seeking to calculate the cost of environmental degradation. Others (such as TBL) simply present rival forms of valuation side by side.

Many of these forms of accounting are being developed by those working with profit-oriented businesses, to get them to expand their reporting practices beyond financial data. But co-operatives have much to gain from seizing this agenda, as a means of demonstrating their positive impact. There are some attempts to develop specific co-operative performance measurement tools, but these need expanding.<sup>27</sup>

The use of social auditing is important to verify claims about performance. Co-operatives should be leading the field in the development of principles and standards for such audits, as investor-owned businesses

have led (and dominate) the development of principles and standards for financial accounting and audit.

- **Case studies:** The diversity of co-operative forms and goals is under-recognised. Case studies and first-hand stories showing the contributions of co-operatives to education, communities, health and other public goals are important here and needed. Consumer energy co-operatives are making a crucial contribution towards the shift to a low carbon economy, which needs recording, studying and highlighting.
- **Evidence gathering:** In order to demonstrate their contribution to sustainability to public policy-makers, economic analysis of the 'positive externalities' of co-operatives is valuable. A number of techniques exist (known as 'contingent valuation') for capturing the value of non-market goods, such as health and a clean environment. Consideration should be given to the ICA facilitating the establishment of a virtual data bank.<sup>28</sup>
- **Public advocacy:** The message about co-operatives can no longer be limited only

to the language of democratic member control. It needs to be broadened and now needs consistently to include a reference to sustainability, so as to attract interest from public policy-makers, the broader public and young people.

- **Technology:** The co-operative sector should aim to become leaders in the development and use of technologies and social systems which specifically deliver human benefits, without despoiling the ecosystem.
- **Management Practices:** The co-operative sector needs to do more to develop and promote distinctive management practices which reflect the democratic values and long term horizon of the co-operative business model, and which will fully exploit the potential co-operative advantage.
- **Strengthen and Integrate the Co-operative Business Network:** The co-operative sector should identify and remove barriers to inter-co-operation, including, where possible, integrating systems, such as procurement, using the principle of subsidiarity.

“co-operatives are making a crucial contribution towards the shift to a low carbon economy”



# 3. IDENTITY

**coop**  
FORUM



# “BUILD THE CO-OPERATIVE MESSAGE AND SECURE THE CO-OPERATIVE IDENTITY”

In a world suffering from a deficit of democratic representation and from short-termism, co-operatives demonstrate how business can be done not only differently, but better – not only for their own benefit, but for the world's. However, to spread this valuable message, there must be clarity as to how co-operatives are to be defined and distinguished. This is important for the co-operative sector itself, in creating a powerful sense of shared identity; but it is also important that an identifiable co-operative message or “brand” is projected, which differentiates this form of business.

The market-place for ‘social’ or ‘ethical’ business is a crowded one. ‘Corporate social responsibility’ and ‘social enterprise’ are two examples of how privately owned business models have been re-imagined or re-branded, for purposes beyond the pursuit of profit maximisation. The so-called “ethical corporation” and other more sincere enterprises are already using the language and messages of co-operatives. How do co-operatives distinguish themselves in this context? How do they second guess and outpace investor-owned corporations?

A great advantage that co-operatives possess is having the Co-operative Principles. Co-operatives don't simply appear different, thanks to some image makeover – they fundamentally are different. Their abiding values of participation and sustainability are not just bolted on to a conventional business model, but structure how they are owned, governed, managed and evaluated. With consumers increasingly cynical about ethical ‘green-washing’ of corporate brands, co-operatives have an authenticity that no other ethical business model can match.

Those involved in the co-operative sector may argue that there is no question about what constitutes a co-operative, by pointing to the ICA Statement on



the Co-operative Identity as an answer. However, the extent to which the Co-operative Principles are applied or not varies greatly from one jurisdiction and legal system to another. So there are many for whom the Co-operative Principles do not offer adequate explanation or clarity of definition. This includes regulators and policy-makers, a number of whom are seeking guidance on how to distinguish an ‘authentic’ co-operative from an ‘inauthentic’ one, and are concerned that co-operative regulations are being ‘gamed’ as a means of seeking market-place advantages and avoiding transparency or competition.

It also includes the broader public of potential members and younger people, who might be attracted to a sector that is ethical and participatory, but whose message sometimes appears indistinct in a crowded field, and uses language which does not always resonate. A sector which is fundamentally open source, is disruptive in the market-place, and is independent of the establishment needs to learn to communicate those features strongly to people who might feel instinctively drawn to them.



# THE GOAL

The goal is to build the co-operative message and secure the co-operative identity, to secure moral economic authority and “better business” status for co-operatives. It is important to distinguish between ‘identity’ and ‘message’. Broadly speaking, ‘identity’ is the meaning of co-operatives for the sector itself and its members, how it recognises itself when looking in the mirror; ‘message’ is the way in which the identity of co-operatives is communicated and projected to the outside world, through education, the provision of information, marketing, logos and other forms of engagement with non-members.



The word more commonly used to denote message is “brand”, and within the co-operatives sector people use it as a shorthand and talk about building the co-operative “brand”. However the term “brand” is not used with any enthusiasm in this context, because of its association with private intellectual property rights which provide a means to prevent use except where appropriate payment is made to the owner of the rights. In a more popular sense “brand” is rather more to do with superficial image denoting attributes attractive to consumers. Neither of these is consistent with a co-operative sector that has a strong belief in longer-lasting

values, and which wishes to encourage the wide-spread use of the co-operative idea which is available without charge to those who wish to follow its principles.

Having said that, the co-operative sector has a legitimate interest in seeking to protect the integrity of the “co-operative” word so it is not misused. The ability to do this varies between jurisdictions, and for present purposes the primary focus is on projecting an appropriate message of what is denoted by “co-operative” to a world which is largely ignorant of what it stands for. As follows from the two previous chapters, the Blueprint seeks to project both participation and sustainability

through the co-operative message.

The UN International Year of Co-operatives and its accompanying logo demonstrate the positive potential of providing a single differentiating message for the co-operative sector that can be carried across multiple spheres. The .coop domain name also provides an opportunity for clear differentiation here.

Co-operatives need a more sharply articulated message so that people are more aware of what they are choosing when faced with the option between a co-operative or an investor or privately-owned business.



Tack och välkommen





# HOW CAN THIS GOAL BEST BE PURSUED?

## POSSIBLE OR INDICATIVE ACTIONS

- There is no desire to undermine the Statement on the Co-operative Identity, so the Statement should be celebrated. However, the Co-operative Principles (contained within the Statement on the Co-operative Identity) themselves could usefully be supplemented with **Guidance**, for the purposes of translation into regulatory frameworks (this links to Theme Four below). Developing Guidance involves establishing the irreducible core – e.g. what is the minimum requirement behind “controlled by their members” in the 2nd Co-operative Principle? Without such guidance, it is difficult or even impossible for regulators to have a basis for accepting or rejecting a proposed constitution. It would also help to provide a clear basis for the ICA to work with national bodies and their governments where there are problems maintaining the irreducible core.
- Co-operatives need to think about how they are perceived by, and how they project themselves to and communicate with **young people**. Securing their interest and positive engagement can only be achieved through an understanding of the changing ways in which they communicate and form relationships with each other using technology and social media. Human relationships are at the heart of a co-operative. Young people need to help to shape the identity and the messages.



- Co-operatives also need to think about how they are perceived more widely by non-members and expert communities. The rise of terms such as ‘social enterprise’, ‘corporate social responsibility’, ‘employee ownership’, ‘social innovation’ adds to the confusion surrounding the actual difference that a co-operative makes. Co-operatives are often not seen as sufficiently distinctive, as to be dealt with separately on issues such as regulation. The **message** therefore needs management, if it is to function in the longer-term interests of co-operatives. Following development of Guidance, appropriate phraseology should be developed which is designed from the point of view of message projection.
- Consider using the allocation of **.coop domain** names only to those which meet the requirements of the irreducible core. Whilst this may take some time to establish, eventually it will provide the most visible evidence of what is denoted by “co-operative”. It has the advantage of crossing jurisdictional boundaries. It would also provide the basis for the ICA to approach governments of states whose legislation prevented compliance with the irreducible core, and resulting in their exclusion from use of .coop which might be a competitive disadvantage to their economy.

- Identity is also important in securing a co-operative voice in global policy debate. Part of this is concerned with the wide adoption by co-operatives around the world of commonly held principles underpinned by a visible sign of their adherence. The extent to which the 2012 IYC logo was adopted by societies has demonstrated the power of identifying with shared values across national boundaries. Consideration should be given, separate from the potential use of .coop, to the development of a **common symbol** which would attract similar take-up to 2012 IYC.
- Learning about co-operative ideas and traditions needs to be included within the curriculum at all stages of education. **Co-operative education** is the best way to build an understanding of co-operative identity and messages by the widest possible range of individuals.
- Training programmes are needed to explain the co-operative identity to future leaders. This needs to be part of a much broader promotion of co-operative identity amongst **business schools and professional bodies**. Research and the development of theories, knowledge and ideas should be promoted and extended, building collaboration between managers, practitioners and academics.
- It is important to **monitor the public reception** of co-operative messaging through market surveys and focus groups in different countries

“the extent to which the 2012 IYC logo was adopted by societies has demonstrated the power of identifying with shared values across national boundaries”

- **Solidarity amongst co-operatives** needs to be strengthened by encouraging larger co-operatives to put aside some of their profits to support the development of new and small co-operatives
- As put forward in the previous two chapters, this Blueprint proposes that in the coming years the co-operative sector should aim for co-operatives to become **identified with both participation and sustainability**. This includes recognition of the financial security of co-operative financial institutions, and the contribution co-operatives make to global security,
- Consider the creation of a **World Co-operative Heritage list**, to raise visibility of co-operative impact throughout modern history.





# 4. LEGAL FRAMEWORK





# “ENSURE SUPPORTIVE LEGAL FRAMEWORKS FOR CO-OPERATIVE GROWTH”

If an argument can be convincingly made for why co-operatives are better for the long-term interests of the world, and if the public better understands what a co-operative is, it would stand to reason that momentum would gather for growth. But this is more likely to occur, and in some cases can only occur if existing barriers to growth are removed. One aspect of this is the process by which co-operative enterprises are started up within different jurisdictions, and this process is generally part of national law.

But there is more to it than that. The view that co-operatives are a marginal form of enterprise is not uncommon. There is often a failure to understand precisely how they work or the benefits they deliver (exacerbated by the general lack of coverage of co-operative in the education and training of those going into the business world). These factors contribute to financial, legal and regulatory infrastructures that are essentially designed for the greater majority of businesses

which are profit-oriented, shareholder-owned businesses, but are inappropriate for co-operatives in certain important respects. Few countries have good legislation for co-operatives.

It is important for co-operatives themselves to resist any tendency to mimic investor-owned enterprises in operational, management and governance practices which do not reflect the distinctiveness of co-operatives.

This can often be the easier

option when operating within infra-structure designed for investor-owned businesses, but unless co-operatives resist and fight for appropriate recognition and treatment they risk losing their distinctiveness and commercial advantages through isomorphic behaviour. Managers need to be supported and encouraged in this.

The Final Declaration of the recent conference in Venice<sup>29</sup> called for a “regulatory framework and support policies that are coherent with the co-operative form and favour its development”. This important demand has some pedigree, including United Nations Resolution 56/114<sup>30</sup> urging governments (amongst other things) to encourage and facilitate the establishment of co-operatives, and to take appropriate measures to create a supportive and enabling environment for the development of co-operatives; and ILO Recommendation 193.<sup>31</sup>

An important aspect of supportive legal frameworks involves ensuring that co-operative legislation underpins and protects the co-operative identity. Each jurisdiction needs to frame its legislation in a way that incorporates co-operative principles into the local context, in a way which appropriately reflects the distinctive identity of co-operatives.



## INTERNATIONAL LABOUR ORGANIZATION

In its Promotion of Co-operatives Recommendation, 2002 (ILO Recommendation 193), the International Labour Organization recommends (amongst other things)

- Governments should provide a supportive policy and legal framework consistent with the nature and function of co-operatives and guided by the co-operative values and principles
- The adoption of measures to promote the potential of co-operatives in all countries, irrespective of their level of development, for a range of purposes including the creation of income-generating activities and employment, the development of human resource capacities and knowledge of co-operation, the development of business potential, the increase of savings and investment, and the improvement of social and economic well-being
- The promotion of co-operatives as one of the pillars of national and international economic and social development
- That Governments should facilitate access of co-operatives to support services, investment finance and credit.







One of the great successes of the 2012 International Year is that policy-makers and regulators are finally waking up to the difference that co-operatives make and the benefits they deliver. There is much already to celebrate here. However, assistance must be provided to law-makers and regulators, if the growing enthusiasm for the co-operative form of enterprise is to be translated into the types of supportive legal frameworks that will unleash the co-operative growth from which everyone will benefit.

We must stress at the outset that pursuing this agenda does not mean pleading for special treatment, subsidies or favours. Co-operatives are no more dependent on government assistance than any other business form. But no business exists in a regulatory vacuum, and business growth always depends on an infrastructure of rules and policies. For much of their history, co-operatives have succeeded in spite of legal frameworks that tend to be designed with limited companies in mind. The co-operative sector does not now expect or ask to tip the balance in its favour. It seeks a proper understanding by governments and law-makers of the economic and social benefits which the co-operative form can bring,<sup>32</sup> and an appropriate legal framework which takes account of these benefits and speaks to a broader diversity of ownership forms than is currently the case.<sup>33</sup>

In 2009, the Indian government amended its constitution through its Constitution (111th) Bill, which made the right to form co-operative societies a fundamental right. The House also accorded the right to set up a specialised agency on the lines of the Election Commission which can conduct election of the co-operative societies.  
<http://agricoop.nic.in/cooperation/hpcc2009new.pdf>



# THE GOAL

There can be no one-size-fits-all, optimal regulatory or legal framework for co-operatives. Legislation both about the registration of co-operatives and about how they are treated in comparison with other entities is part of and specific to national jurisdictions and must be analysed as such. Therefore specific improvements must be identified and lobbied for at the level of nations, building directly on UN recommendations. However, good national registration and regulatory environments can be celebrated and highlighted, and national bodies supported by the ICA can engage with bad ones to promote change.

In addition to assessing the respective qualities of jurisdictional frameworks for registration, there is a role for the ICA in producing evidence for the public/ social value and sustainability of co-operatives (see Sustainability above), which will strengthen the case for government reform to support co-operatives, especially at a time of fiscal crisis when many states are looking for new forms of social security and public provision. A convincing case can be developed that co-operatives are more efficient than investor-owned businesses, once 'social' value is accounted for, and contribute significantly to public good.

Making this argument then provides a basis for considering how current national laws apply to co-operatives in a number of areas, and whether the contribution made to the national public good justify a different treatment for co-operatives. For example, this might justify different treatment in tax law<sup>34</sup>, or in competition and anti-trust law. It might also affect regulatory law applying, for example to the raising of capital, and the laws that cover contracting with governments.

The significance of this area should not be overlooked, because currently co-operatives can be disadvantaged as against other business entities. To provide a simple example, competition and anti-trust laws have gradually

been introduced in many jurisdictions primarily to prevent private businesses trading for private benefit from exploiting a dominant or monopoly position and damaging the community's interest by controlling access to goods and services. But whether it is appropriate that such laws should be applied in the same way to co-operatives, which have

been established by communities to secure their own access to goods and services, is a matter for separate consideration. Another example is procurement laws applying to the outsourcing of public services: rules designed to promote open and transparent competition for providing such services should take account of all relevant factors.



# HOW MIGHT THESE GOALS BE ACHIEVED?

## POSSIBLE OR INDICATIVE ACTIONS

- **Assistance can be provided to registrars and regulators** through
  - the creation of an International Network for registrars and regulators<sup>35</sup>
  - the development of Guidelines on how to apply the Principles
- **Assistance can be provided to national parliamentarians, legislators and policy-makers** through the comparative study of the way laws apply to co-operatives in different jurisdictions.
  - For example, in 2009 ICA Americas published a document setting out a Framework Law for Latin American countries, updating a previous version dating back to 1988.<sup>36</sup> The Framework Law is not intended to be a model to copy by the lawmakers of other countries. Its purpose is to provide guidance on key aspects of co-operative legislation as derived from jurisprudence, academic studies, and comparative law.
  - A further illustration is a recent initiative to establish a Study Group on European Co-operative Law (SGECOL), which will be looking at Principles of European Co-operative Law (PECOL) as its first research project.<sup>37</sup> SGECOL's general objective is to conduct comparative research on co-operative law in Europe, thus promoting increased awareness and understanding of co-operative law within the legal, academic and governmental communities at national, European and international level. SGECOL intends to achieve this objective through various research initiatives on co-operative law, beginning with the drafting of PECOL.
- Integrate the co-operative agenda into **global development institutions**, such as the World Bank, and with intergovernmental policy-setting bodies, such as G8 and G20.
- Develop the capacity to respond to co-operative opportunities created by global and regional **political events and changes**.
- **Evidence could be published** for the social and public benefit of co-operatives. This evidence and a body of literature should be built up to support arguments for the appropriate treatment of co-operatives in law in different jurisdictions and different stages of economic development.
- As referred to above under Identity, there is a need to **establish an “irreducible core”** of what it means to be a co-operative. This is clearly important as a basis for securing different treatment of co-operatives within national legal systems, because there needs to be a robust connection between the evidence of social and public benefit and the minimum criteria for being treated as a co-operative. This will be essential where, for example, different fiscal or regulatory treatment is afforded to co-operatives, because otherwise there will be false claims to entitlement. This is a particularly difficult area to address, as is highlighted in a recently published paper by Antonio Fici.<sup>38</sup>

“a body of literature should be built up to support arguments for the appropriate treatment of co-operatives”

- A mechanism or tool should be developed to **evaluate national legal frameworks** and the extent to which they are enabling and supportive of co-operatives. A league table of jurisdictions could be compiled to highlight the stronger and weaker ones, which would be a good way to highlight the poorer performers and provide an opportunity to engage with them in political advocacy based on demonstrable factors
- Establish a **co-operative knowledge databank** to measure and demonstrate impact and facilitate knowledge transfer.



# 5. CAPITAL



# “SECURE RELIABLE CO-OPERATIVE CAPITAL WHILE GUARANTEEING MEMBER CONTROL”

Businesses cannot function without capital, and co-operatives are no exception. Whilst they have the ability to borrow (loan capital), as well as meeting working-capital requirements they need to fund their long-term business for which purpose they generally need some form of long-term risk or loss-absorbing capital. Co-operative capital generally comes from either members by way of share capital, or retained earnings (reserves).<sup>39</sup> By definition, retained earnings take time to build up, and are obviously not available at start-up. Historically, co-operatives were funded by cash deposited by members, at a time before high street banks met this need. Members kept their savings at the co-operative, and could withdraw them as and when needed.

Withdrawable share capital, with limited exceptions, no longer provides the capital needed. The wide-spread availability of financial institutions and services means that people no longer need their co-operative to be a safe-haven for their cash. Capital that can be withdrawn at will in the modern context will not usually provide a sufficiently stable basis for funding a business. Co-operatives in many jurisdictions therefore face a problem in terms of access to capital.<sup>40</sup>

Investor-owned businesses raise capital from those who are looking for a financial return. This may be in terms of income from dividends, or capital growth in the value of the business over a period of time, or a combination of the two. Traditional “equity capital” provides these benefits, and is based on the principle that ownership of a share entitles the investor to a proportionate share of the underlying capital value of the company, and a proportionate share of any profits distributed by way of dividend.

Co-operative capital is different in relation to both of these principles.<sup>41</sup> First, a member is generally only entitled to receive back from the society the amount of money deposited or subscribed for shares. So there is no entitlement to a share

“We need capital that is socially constructive rather than destructive and more stabilising rather than destabilizing. We need capital that is restrained, limited and controlled and directed to meeting human need rather than human greed. Co-operative capital is constructive, stabilising and restrained. The world needs more co-operative capital and ways of diverting savings from becoming investor to becoming co-operative capital.”  
*Webb and others (2010) Co-operative Capital: What it is and Why our World Needs it*

in underlying value. Second, whilst co-operatives can pay interest on capital, under the 3rd Co-operative Principle members receive “limited compensation, if any, on capital subscribed as a condition of membership”. To the extent that profits or surplus is distributed to members, that distribution is in proportion to the members’ trade with the society.

When compared with company equity capital, co-operative capital does not offer to investors comparable economic benefits. As a result, it is not as economically attractive, and of little interest to investors.

But what co-operatives have to offer society at large (rather than just to profit-seeking investors) clearly is attractive, when compared to the wider impacts of investor-owned businesses, for all the reasons set out above. How do we bridge this gap?





# WHAT IS THE GOAL?

It is easy to make this subject complex, technical, even somewhat mysterious – a search for the Holy Grail. Essentially, it involves matching our needs as citizens for a safe place to keep the money we don't need right now but which we will need in the future, with the needs of businesses which require capital to develop and to meet our changing needs.

The history of the last 150 years or so has been one of turning people into investors. "Invest" generally means placing money somewhere where it seeks to get the best return. It is the word generally used in relation to putting money into company shares. Most people in developed economies have become investors, whether intentionally or not, through their retirement savings and other financial products such as insurance provided by the investor-ownership model. Maximising profits with our savings has become the norm, and we are addicted to it. But over the last four years, economic volatility has revealed the weakness of this model – there is now a clear need for something better.

Finding a successful model means not just changing how businesses operate, by establishing businesses which, like co-operatives, are more likely in the longer-term to meet human needs; it also means changing how people behave. We all need to stop behaving as investors looking to maximise gain; if we want a better world, we need to place our funds where they are more likely to build a better world. They won't do that if we invest them in equity shares.

If it was not for the fact that there is powerful evidence that people are already changing what they do with their money, this might seem to be a hopelessly idealistic proposition. But attitudes to wealth, money and where people keep it are changing dramatically.

From the Giving Pledge of Bill Gates and 30 other US billionaires to give away at least 50% of their wealth to charity, to the response of ordinary people to the tsunami in 2004, the earthquake and tsunami in Japan in 2011 and other major disasters. From the outrage in the financial pages of leading newspapers at the behaviour and remuneration of bankers, to the Move Your Money campaign,<sup>42</sup> and the Occupy movement. We are living through a time of great change, where popular attitudes and motivation are changing.

Capital instruments need to be in tune with the attitudes and motivations of the day. So the goal is to provide a credible proposition for a co-operative future which people can recognise, understand and believe in (see Chapter 3 above), and then provide the right mechanism through which they can use their funds to secure that future. This means a financial proposition which provides a return, but without destroying co-operative identity; and which enables people to access their funds when they need them. It also means exploring wider options for access to capital outside traditional membership, but without compromising on member control.

This is the context in which appropriate financial instruments, through which people can fund co-operatives, are essential. This is territory already much explored by companies, but similar time and energy has not been applied in the co-operative sphere.

Instruments are needed, which provide the facility for money to be put into and paid out of co-operatives, and which

- Provide a stable basis for the business of the co-operative
- Provide an appropriate "exit" for the provider of funds, in a context where a market in shares is not really appropriate, and
- Do not impair or undermine the co-operative nature of the entity, including control by members and commitment to the co-operative identity.



# HOW MIGHT THESE GOALS BE ACHIEVED?

## POSSIBLE OR INDICATIVE ACTIONS

- Promoting and encouraging generally the **funding** of co-operatives by existing members
- Ensuring that co-operatives have a **clear proposition** to make to providers of funds
- Promoting the **inter-change of ideas and experiences** between jurisdictions in relation to capital and financial instruments
- Developing a modern generic **financial instrument** which is classed as risk capital and meets the needs of co-operative businesses and co-operative funders
- Developing a range of variations to the generic model to suit different sizes of co-operative and sectors
- Identifying institutions which can act as **aggregators or intermediaries** for businesses (large and small) needing capital
- Utilising the **Global Development Co-operative Fund** to demonstrate establishment of the co-operative as an asset class
- Undertaking **research on changing attitudes and motivation** for funding, and for new financial instruments
- Reviewing risks and opportunities created by the use of subsidiary corporate entities, and other **group structure arrangements**, and the creation of co-operative groups or clusters to address capital accumulation
- Building the case for co-operative capital as an **inspirational model**, compared with debt and profit-seeking capital
- Creating a co-operative specific **index** to measure growth and performance
- Advocating for **accounting standards** that recognise the unique attributes of the co-operative model.
- Accelerating **global trade between co-operatives** through broker arrangements and shared service structures





# CONCLUSION





# 2020 VISION: BLUEPRINT FOR A CO-OPERATIVE DECADE IS UNASHAMEDLY AMBITIOUS.

When the co-operative pioneers first implemented their new ideas, those ideas provided a way for people to meet their needs where investor-owned businesses were failing them.

Today, those ideas are needed by all people. It is the global community which has been failed by the traditional way of doing business, where profits and growth are more important than sustainability, and the private interest of some is more important than the public interest of everyone.

Co-operative ideas work; but most people do not know that today. That is why this Blueprint is an ambitious plan to clarify the co-operative message and broadcast it to a world community which currently cannot imagine what it can achieve.

But it is also an ambitious plan to equip people with the means to do what their imagination will tell them is possible; and a plan to enable all people – women and men, older and younger people – to overcome the obstacles which might hinder them from realising what they know is possible.

The International Year of Co-operatives was a catalyst for co-operatives and for people who believe in the idea of co-operation. It became the platform to launch a Co-operative Decade. The time and the situation call for an ambitious plan, and that is why the ICA is adopting such a challenging Blueprint.

This is a document which the ICA cannot take forward on its own. The ICA certainly has its own role to play, and has every intention of rising to the challenges presented.

But for this Blueprint to be meaningful and effective, it needs to be taken up and endorsed by national bodies, by individual societies, and by all people who believe in the co-operative way

of doing business. Co-operatives must lead the way by co-operating amongst themselves.

**All of us now have a role to play to secure the 2020 Vision.**





# INTERNATIONAL CO-OPERATIVE ALLIANCE



The International Co-operative Alliance (ICA) is an independent, non-governmental organisation established in 1895 to unite, represent and serve co-operatives worldwide. It provides a global voice and forum for knowledge, expertise and co-ordinated action for and about co-operatives.

ICA's members are international and national co-operative organisations from all sectors of the economy, including agriculture, banking, consumer, fisheries, health, housing, insurance, and workers. ICA has members from one hundred countries, representing one billion individuals worldwide. One hundred million people work for a co-operative locally.



KELLOGG COLLEGE

## THE CENTRE FOR MUTUAL AND EMPLOYEE-OWNED BUSINESS

The Centre is based at Kellogg, one of the University of Oxford's largest and most international graduate colleges. Kellogg College supports the lifelong learning work of the University, giving opportunities for the continuing education and professional development of mature and part-time students.

Policy makers, academics and citizens more generally are showing increasing interest in the participatory approach to stakeholder involvement created by co-operative and mutual enterprise. Sea changes in the UK and global economies have reinforced the importance of the co-operative and mutual business sectors, with their high standards of corporate ethics and community responsibility and long-term sustainable strategies. This changed environment offers an unprecedented opportunity for thought leadership, provided it is empirically based, grounded in world-class research and analysis, and validated through a rigorous curriculum reflective of the sectors' performance needs.

The principal activities of the Oxford Centre for Mutual and Employee-owned Business are thus research and professional development via tailored short courses and educational programmes focused on the business needs of the co-operative and mutual

sectors. With a commitment to applied knowledge and dissemination, the Centre runs conferences, seminars and guest lectures and promotes networking and partnering within and beyond Oxford. The aims of the Centre are to:

- Provide research into the performance of the co-operative and mutual sectors
- Deliver a curriculum that is closely matched to the needs of relevant businesses and the development of their current and future leaders
- Encourage debate and advance new thinking about co-operation and mutuality
- Work with existing co-operative and mutual sector experts to create a global network of academics, practitioners and policy makers





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## PHOTOS

Front cover and pages 1, 21: Coop Italia

Pages 3, 14: Co-operative Group, UK

Pages 5-6, 19: Coop Sweden

Page 12: IFFCO (Indian Farmers Fertiliser Co-operative): Phulpur, Uttar Pradesh, India

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# STATEMENT ON THE CO-OPERATIVE IDENTITY

## DEFINITION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

## VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

### 1. VOLUNTARY AND OPEN MEMBERSHIP

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

### 2. DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

### 3. MEMBER ECONOMIC PARTICIPATION

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

### 4. AUTONOMY AND INDEPENDENCE

Co-operatives 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 co-operative autonomy.

### 5. EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

### 6. CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### 7. CONCERN FOR COMMUNITY

Co-operatives work for the sustainable development of their communities through policies approved by their members.