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**CO-OPERATION AS A REMEDY
IN TIMES OF CRISIS
AGRICULTURAL CO-OPERATIVES IN THE WORLD:
THEIR ROLES FOR RURAL DEVELOPMENT
AND POVERTY REDUCTION**

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**Co-operation as a Remedy
in Times of Crisis**

Agricultural Co-operatives in the World

Their Roles for Rural Development
and Poverty Reduction

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**Enabling
the rural poor
to overcome
poverty**

Title of a flyer of IFAD
International Fund for Agricultural Development

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Abbreviations

ACOPAM	Appui associatif et coopératif aux initiatives de développement à la base assistées par le Programme Alimentaire Mondial
AMSAC	Appropriate Management System of Small Farmers' Co-operatives
BTL	Biomass to Liquid
CAP	Common Agricultural Policy (EU)
CEMAS	Co-operative Education Materials Advisory Service
COPAC	Committee for the Promotion and Advancement of Co-operatives
DAC	Development Assistance Committee (of OECD)
EU	European Union
EURICSE	European Research Institute for Cooperative and Social Economy
FAO tions	Food and Agriculture Organisation of the United Nations
GACOPEA	Gestion appropriée des coopératives de petits exploitants agricoles
GDR	German Democratic Republic
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICA ROAP	International Co-operative Alliance Office for Asia and the Pacific (New Delhi)
ICA	International Co-operative Alliance
IFAD	International Fund for Agricultural Development
IFAP	International Federation of Agricultural Producers
IFPAAW	International Federation of Plantation, Agricultural and Allied Workers
ILO	International Labour Organisation, International Labour Office
IMF	International Monetary Fund
INDISCO	ILO's Inter-Regional Program to Support Self-reliance of Indigenous and Tribal People through Co-operatives
LDC	Least Developed Countries

LED	Local Economy Development
LPG	Collective Farm
MATCOM	Materials and Techniques for Co-operative Management Training
MCA	Millenium challenge account (USA)
MCC	Millenium Challenge Corporation
NACF	National Agricultural Co-operative Federation (Korea)
NGO	Non Governmental Organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
Par.	Paragraph
PRSP	Poverty Reduction Strategy Paper
ROSCA	Rotating Savings and Credit Association
SCE	European Co-operative Society
UK	United Kingdom
UN	United Nations
UNCAS	Union Nationale des Coopératives Agricoles du Sénégal
UNDAT	United Nations Development Advisory Team
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNIDO	United Nations Industrial Development Organisation
UNRISD	United Nations Research Institute for Social Development
US-AID	United States Agency for International Development
WCARRD	World Conference on Agrarian Reform and Rural Development
WHO	World Health Organisation
WOCCU	World Council of Credit Unions

1 Introduction

1.1 Interpretation of the topic and how to proceed

Times of change and times of crisis

Changing framework conditions and a changing environment result in challenges with which the better-off can cope more easily than the poor. In times of rapid change, the individual is often unable to adjust to the requirements of the changed surroundings. Old social and economic structures cease to be effective, old knowledge and skills are devalued. When facing new challenges, learning by experience is ruled out. For the individual, it is difficult to find access to new knowledge, new technologies, additional resources and new markets. In such times of change and crisis, co-operation with others facing similar problems may prove to be a remedy. However, pooling resources presupposes that the individuals who decide to co-operate dispose at least of small potentials and means which they can put together in order to build up united strength.

Problems of the poor to cope with rapid change

This is the crucial point where co-operation as a remedy to overcome the problems caused by change finds its limits. The rich do not need co-operatives, because they can cope with change out of their own strength. But how far can co-operatives be a means of the poor to work themselves out of poverty by uniting forces? For the real poor (the destitutes) who live in absolute poverty, who have nothing to pool and who depend on external aid for their survival, there is little they can do to improve their situation by organised self-help. They lack co-operative capacity. Before they can form or join co-operative societies, they need help from outside to build up their ability to become genuine members of self-help groups by acquiring knowledge, skills and at least small resources.

In this report it will be investigated, where is the borderline between the real poor who are unable to co-operate and the relatively poor, who can be organised in co-operatives by development entrepreneurs or who can form co-operatives among themselves or join co-operatives of the better-off, provided such co-operatives are open to them.

For centuries the majority of the people on our globe lived in the rural areas. Push and pull effects have led to strong trends of urbanisation and rapid growth of mega-cities. It is estimated that from the year 2000 for the first time in human history more people live in urban than in rural areas (Time International 1993: 86). However, there are no clear borderlines between urban and rural when regarding the rapidly growing informal set-

tlements and slums around the big cities. According to IFAD estimates, more than half of the rural poor are women. In 1992 out of 939 million rural poor about 565 million were women, 66 million women support 333 million family members (Gerste 1994: 59).

Wide range of forms of agricultural and rural co-operation

Out of the wide spectrum of agricultural and rural co-operatives reaching from micro structures to large scale enterprises, emphasis will be placed in this report on co-operatives as innovators, enabling people to cope with change, on the role of co-operatives in poverty reduction and on ways and means to promote co-operative development.

Need of clear terminology

Without agreeing on clear terms it will be impossible to define clearly, what role co-operatives can play in poverty reduction. Therefore, first of all, an attempt will be made to lift the ideological fog that covers the views on co-operatives, development and poverty by defining these key terms. This will be followed by a survey of agricultural co-operatives in the European Union (EU) and under the new Common Agricultural Policy (CAP), giving farmers a new perspective of their future role in rural development.

Co-operatives and poverty reduction

In the second part of the report, the issue of co-operatives and poverty reduction will be discussed, highlighting the potentials, limitations and preconditions for a successful co-operative development policy. Whether co-operatives fail the poor or whether they can be a decisive factor in conquering poverty (Verhagen 1980: 4) is still a debated issue.

Co-operatives and poverty reduction in international development policy

Finally a short look will be taken at co-operatives and poverty reduction in international development policy and the hesitations that still prevail among international development agencies to accept co-operatives as change agents worthwhile to be promoted, before coming to some general conclusions.

1.2 The message

The message to be conveyed by this report can be summarized as follows:

- Co-operative self-help organisations are an indispensable part of rural development irrespective of the names such group activities are called.
- Co-operatives are not designed to help the poor but are rather a chance of the poor to work themselves out of poverty by working together and pooling their resources.
- Co-operatives are as good as their members make them. Hence, the key to successful co-operative work is patient and continuous human resources development.
- Co-operatives cannot create the environment which they need to develop. Accordingly, the most reasonable and promising way of promoting co-operatives by external aid is to offer a favourable environment for co-operative development.

2 Definition of key terms

Clarity of theoretical concepts is essential for fruitful discussion on practical matters (Verhagen 1987: 21). Before starting the discussion of the subject matter, an attempt is made to define the key terms of the topic.

2.1 Definition and types of co-operatives

(a) Definition

There are various ways of defining “co-operative societies”. The pseudo-co-operative phenomenon (Verhagen 1980: 1) confuses the debate.

Using formal criteria like in the UNRISD Studies of the 1970s:

“All organisations calling themselves co-operatives, which are legally recognised as such, which are subject to organised supervision and which claim to follow co-operative principles” (UNRISD 1975: 23, 27; see also Verhagen 1984: 19).

This definition is unsatisfactory, because it does not take account of the substance and of the actual functioning of the organisation in question. It covers pseudo-co-operatives formed and registered for other than co-operative purposes under wrongly conceived co-operative schemes or registered under ill conceived co-operative legislation. It also includes false co-operatives formed for the purpose of qualifying for privileges like tax exemptions, or for avoiding anti-trust regulations.

There are **idealistic conceptions of co-operation** (Marxist, social-reformist and Christian approaches or plans to create a co-operative commonwealth). Such conceptions are not suitable as a general definition of the term “co-operative society” because they add political or religious goals and motivations to the organisational concept, which cannot easily be transferred from one country to another.

Co-operation can also be defined as a worldwide phenomenon **being part of human nature**, as an age old survival strategy which can be found in various forms in every country: informal village groups, work groups, savings and loan associations (e.g. in Korea Dure, Pumasi, Kye and Hyan-gyak).

Box 1 Informal village groups in Korea

Dure: Village based self-help group for pooling labour in agricultural (rice) production. Participation in Dure was compulsory. At least one man between the ages of 19 and 56 of each family had to participate.

Pumasi: Also a labour exchange group among neighbours, but on a voluntary basis. This form of self-help group lost importance when farm machinery was introduced.

Kye: Community based self-help organisation for various purposes, also in form of a rotating savings and loan association (ROSCA). A money or grain sharing organisation following some of the co-operative principles like open membership, equal contributions of members and elected leaders.

Hangyack: Introduced from China, following ideas of Confucianism, concerned with social order in the villages, focussing its activities on moral education and mutual help, even across village boundaries.

All these groups reflect the spirit of mutual assistance and aid, becoming part of farmer's lives, staying more or less alive in rural communities. These self-help groups are the roots of modern agricultural co-operatives in Korea.

Source: National Agricultural Co-operative Federation (NACF) 2001: 31-33.

Pragmatic, organisational conception means to remove all ideological components and to define a co-operative society from a pragmatic point of view as an *“organisation formed with the primary objective to promote the economic interests of its members by means of a jointly owned enterprise”*.

When reducing the pragmatic approach to its structural pattern, there are four components:

- A group,
- self-help motivation of the group members to meet individual and common needs,
- a jointly owned and controlled enterprise and
- the object of the enterprise to promote the interests of the members.

These basic elements can be found in ILO Recommendation 127 of 1966; in the ICA Statement on Co-operative Identity (1995), supplemented by further elements expressing co-operative values, in the UN Guidelines of 2001, in the new ILO Recommendation 193 of 2002 and for instance in section 1 of the German Co-operative Societies Act of 1889 with amendments up to 2006.

“A co-operative is an autonomous association of persons united to meet their economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.” (ICA 1995).

Verhagen is right when criticising the ideal type definition as inadequate to define the average co-operative (Verhagen 1980: 2). In the Loughborough Meeting on Co-operatives and the Poor in 1977 it was proposed to consider co-operatives *“as falling along a continuum where the ‘ideal type’ may be at one end and the state-directed at the other”*. Certain deviations could be accepted as long as two important conditions are met: A line must be drawn *“below which an institution cannot be known under the name co-operative”* and *“a clear orientation and objective of any ‘co-operative’ undertaking should move along the continuum in the direction of social equity, democratic control, self-reliance and independent leadership”* (Loughborough Statement 1977: 20).

Self-help motivation of its members distinguishes co-operatives from altruistic, general interest organisations, benevolent organisations or charities depending on external assistance. Self-help requires initiative. In co-operative self-help organisations, members take the initiative to work together with others because it is in their own interest. Members have to be prepared to participate actively in the jointly owned undertaking. Self-interest is the most reliable and stable motive for individuals to form or join a co-operative society. Co-operatives are a means to combine self-interest and group interest in such a way that self-interest of individuals becomes the driving force in group action. However, this effect can only be achieved if those who contribute (the owners) and those who benefit (the users) are the same persons (principle of identity of owners and users).

Box 2 Co-operative self-help mechanism:

Individuals join forces and pool resources to achieve together, what the individual cannot achieve alone. If this common effort is successful, more individuals join, the co-operative grows and gains more power.

The self-help component of co-operative action based on positive or co-operative individualism and the insistence on the principle of identity of owners and users of the co-operative enterprise have been criticised as group egoism. Especially in countries following socialist patterns, the purposes of co-operatives were extended to cover not only the promotion of the interests of the members but of the public (Section 4 of the Maharashtra Co-operative Societies Act 1960, see Box 2) or of the socialist party (Sections 4, 1023 (4) Villages and Ujamaa Villages (Registration, Designa-

tion and Administration) Act 1975, Tanzania, see Box 3), of the weaker section of the population, of national development. In such cases, the goals of “co-operatives” are set by government and usually go together with restrictions of the members’ rights to elect and dismiss the leaders of such “co-operatives”.

Box 3 Section 4 of the Maharashtra Co-operative Societies Act, 1960, India

A society, which has as its objects the promotion of the economic interests or general welfare of its members or of the public, in accordance with co-operative principles or a society established with the object of facilitating the operations of any such society, may be registered under this Act; (...).

Box 4 Villages and Ujamaa Villages (Registration, Designation and Administration) Act 1975, Tanzania

Section 4 (1): *In any case where the Registrar is satisfied that not less than two hundred and fifty kayas (families) have settled and made their home within any area of Tanganyika and the boundaries of such area can be particularly defined, he may, subject to any directions given in that behalf by the Minister, register the area as a village (...).*

Section 10, proviso: *Provided that in any case, where at the time of any election there is a branch of the Party within the village, the Chairman and the Secretary of such branch shall by virtue of their offices be members of the council and the Chairman and the Secretary, respectively, of the council.*

Section 13: *A Village shall be deemed to be a co-operative society for all intents and purposes.*

Provided that the provisions of the Co-operative Societies Act, 1968 or of any Subsidiary Legislation thereunder shall not apply to a village.

Section 14 (1): *No co-operative society registered under the Co-operative Societies Act, 1968 shall, save with the consent of the Minister in writing, operate within a village (...).*

Section 15: *Every village assembly and village council shall perform its functions, whether conferred by or under this Act or any written law, under the auspices of the Party.*

Section 23 (4): *The Minister may, if he considers necessary in the public interest so to do, give any Village Council a direction of a general nature and the Council shall give effect to such direction.*

(b) Agricultural co-operatives by types, forms and degree of formalisation

Co-operation based on local custom (autochthonous organisations) like village groups and work groups exist in every country. The question is whether such autochthonous organisations can serve as starting points for co-operative societies (Münkner 1983: 20-23). In any case, development planners should know about these forms of organised self-help and may try to use them as stepping stones, when promoting co-operative societies. Verhagen (1980: 31) warns against romantic looks at traditional forms of co-operation as a possible basis for development-oriented forms of co-operative enterprise and points at failed attempts in Tanzania (ujamaa) and Zambia (Zambian Humanism) and one could add Madagascar (fokonolona).

This does, however, not exclude that elements of traditional co-operation can be successfully integrated into co-operative organisation, e.g. in the Indonesian Co-operative Law No. 12 of 1967, section 20 (2): *“Decisions are made by consensus and where no consensus can be reached, by majority vote”*. But the different nature of autochthonous forms of co-operation should be kept in mind. (See also Göler von Ravensburg, 2007: 793).

- They are aimed at meeting collective needs rather than directly raising individual income levels.
- Membership is based on traditional patterns (mechanical solidarity, i.e. membership by birth and marriage).
- Organisational structures are hierarchical, based on age, sex and social status.
- They follow special forms of solidarity, discipline and sanctions.
- They have different concepts of financial management and administrative effectiveness (Verhagen 1980: 32).

Producer groups are a form of co-operation among agricultural producers of one product or one group of products, originally developed in France in 1962 (loi Pisani), taken over by Germany in 1969 (market structure law) and introduced by EU-legislation in the 1970s as a means to improve the quality of agricultural production and to meet quality standards set by the market. Such producer groups have to be registered as a legal entity, they have to provide in their by-laws that individual producers have to follow production guidelines (selected seeds, fertilisers, time and method of harvesting) issued by the professional management of the producer group. They receive subsidies to meet organisation cost for an initial

period of 5 years at a decreasing rate. For details see Hausmann 1980: 422 f.

Registered co-operative societies of the classical model (Raiffeisen type) are working as **multipurpose village co-operatives**, combining savings and credit with supply and marketing, including education and training of members. From the structural point of view, these co-operatives are referred to as "*traditional co-operatives*" (Dülfer 1994: 854), which are dominated by their members.

Specialised co-operatives are working with one product (e. g. wine) or one activity (e. g. marketing). Such co-operatives work with professional management. Members delegate or outsource some functions of their farms to the co-operative enterprise. From the structural point of view such co-operatives are referred to as "*integrated co-operatives*" (Dülfer 1994: 855) because the members' enterprises and the co-operative enterprise form an integrated system. The professional management tells members, what to do to achieve best possible production and to meet the requirements of the market and members have to trust the professional management.

In many of the former multipurpose village co-operatives, financial services have been separated from commodity business. In Germany, such savings and credit co-operatives have turned into **co-operative banks**, coming under banking regulations which puts them under pressure to merge and grow in order to be able to meet the cost of banking law requirements (e.g. two full-time professional bank managers on the board, meeting equity, liquidity and solvability ratios).

Workers' productive co-operatives, i.e. co-operatives, in which owners and workers are the same persons, and which operate in the market as a collective entrepreneur (Dülfer 1994: 517 f.; Bergmann 1994: 726 f.).

Co-operatives for the promotion of production (Produktionsförderungsgenossenschaften), introduced in the 1960s as a new system of farm management combining the incentives and initiatives of private ownership and enterprise with the advantage of large scale farming and inter-farm co-operation, known as "*Schiller Scheme*" in Pakistan, Egypt, the Philippines and Mexico. Such co-operatives are close to contract farming (Wörz and Kirsch 1994: 731 f.).

Labour contracting co-operatives, in which workers group together to offer their labour in organised groups to entrepreneurs and are hired to execute well defined projects (Louis 1982; Verhagen 1980: 22).

Multi-stakeholder co-operatives, i.e. co-operatives with a heterogeneous membership group including all stakeholders like user-members, employees, market partners, investor-members, promoters and even public authorities interested in improving the economic and social situation in a community (Münkner 2004).

Co-operative companies can be found where processing of agricultural produce requires large and long term investment in processing plants (e. g. sugar factories) which cannot be achieved with variable but only with stable share capital (Luther 1994: 511 f.).

European co-operatives can be formed under the new European co-operative legislation of 2003, in force in Germany from 2006. Such co-operatives need to have members in at least two different EU member states and are designed for cross-border co-operation (Münkner 2005; EURICSE 2010).

A special case are the **former socialist collective farms transformed into market oriented farmers' productive co-operative societies** (Eisen and Hagedorn 1998), in Germany referred to as "agrarian co-operatives" (Steding 2006).

2.2 Rural Development

As a general term and in the context of this report, **development** can be defined as the ability of people to cope with change. Development starts in the heads. It is a mental process, a process starting from inside and from below rather than from outside and top-down (Göler von Ravensburg 2007: 781).

Change is often brought about by a changing environment and new framework conditions, like in the case of globalisation with boundless markets and high mobility of ideas, capital and labour. Development is seen differently from the perspective of development planners and from the perspective of the poor.

Agricultural development deals with the improvement of agricultural production and the role of agricultural producers. It is a sector approach and as such a relatively narrow one. It aims at increasing and improving agricultural production, links economic growth to income distribution with priority on the lower income groups, especially small farmers.

Rural development is a regional and comprehensive approach to development. It includes and even focuses on the agricultural sector but also covers all other sectors of the rural space. In a modern context, rural de-

velopment includes the development of off-farm activities: Contribution of agricultural to sustainable development, securing proper management of the rural areas, protection of natural resources and of the environment, food safety and consumer protection and animal welfare. All these elements are contained in the new CAP of the EU.

Integrated rural development is a regional approach, covering all rural sectors and includes integrated planning, implementation by sector and interdisciplinary evaluation. Its objects are economic growth in the region, mobilisation of resources, satisfaction of basic needs, participation of marginal groups and elimination of absolute poverty. The issues are: improvement of existing structures, development of new supporting structures, comprehensive integration of administration, education, training, research, markets, rural commerce and small industries (Dams et al. in Kuhn 1992: 19.).

2.3 Poverty

By World Bank standards, a person is poor, when disposing of less than 1 US \$ per day for covering the basic needs. For the purpose of the following analysis, this definition is insufficient. Braun points to the fact that poverty cannot be assessed by the average income per person, but rather by considering the income of social classes, e. g. of 10 percent of the lowest income group (Braun 2010: 17, 18). Obviously, the World Bank standard cannot apply to persons living in subsistence economy or in economy of affection (Hydén). According to the 'Poverty Guidelines of the Development Assistance Committee (DAC) of OECD, poverty is not only lack of economic resources, but also lack of human, political, security related, socio-cultural capabilities and conditions (OECD 2011: 31 f.).

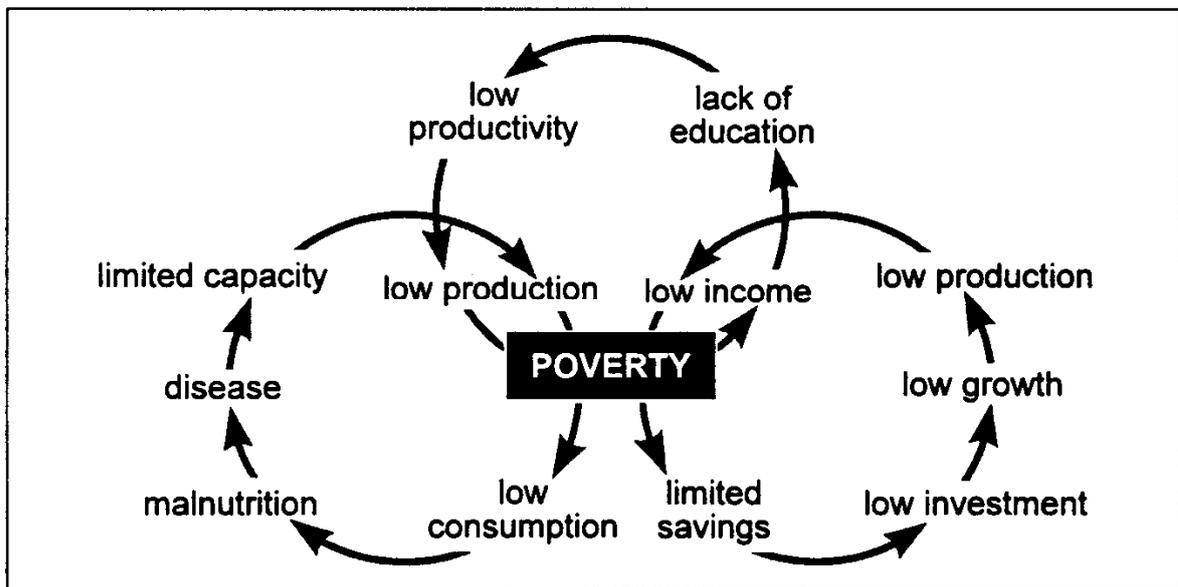
Hence, poverty cannot be reduced to one criterion (income). It is a very complex, multidimensional phenomenon (Birchall 2003: 21). Lack of financial resources is only one aspect of poverty. The poor cannot satisfy their own basic needs (food, clothing, housing, health, education etc.) (Braun 2010: 23). In most cases, poverty is the result of the inability of individuals to cope with rapid change. Poverty occurs where the knowledge, the skills, the resources and the socio-economic and cultural environment are devalued due to changing conditions.

According to Birchall (2004: 25), the definition of poverty used by the UN and its partner organisations is *"whether households or individuals have enough resources or abilities to meet their needs"*. In this assessment, the relative measure of inequality is playing an important role. *"The lower the level of inequality, the larger the share of the benefits of growth*

that accrue to the poor” (Birchall 2004: 26). Hence, growth has to be combined with equity, economic growth has to be linked to poverty reduction. What is needed is growth that does not discriminate.

It is difficult to distinguish between causes, reasons and effects of poverty. This becomes obvious when perceiving poverty as a system of inter-related vicious circles: Low income leads to lack of education, resulting in low productivity, low production, perpetuating poverty. Low consumption leads to malnutrition, disease, limited capacity to work, causing poverty. Limited capacity to save leads to low investment, low growth, low production, low income and again poverty (Bakhit et al. 1996: 8).

Fig. 1: Vicious circles of poverty



Source: Nuscheler, F.: Lern- und Arbeitsbuch Entwicklungspolitik, Bonn 1996, p. 144.

Rather than being lack of resources, poverty often is inability to make good use of available resources, to gain access to new resources and to new knowledge, new technologies and new markets. In this regard, poverty can be described – like development – as a state of mind of people who are caught in outdated know how and weak socio-economic structures.

Seen from this perspective, poverty reduction has to remove mental obstacles for development, provide access to new knowledge, modern technology and new sources of income. Hence, sustainable reduction of poverty cannot be achieved by distributing grants and soft loans. Development for poverty reduction has to start in the heads. Sustainable poverty reduction can only be brought about by investment in human resources development.

Poverty also has to do with unfavourable framework conditions, lack of infrastructure as well as bureaucratic and political restrictions.

- With little or no political power and without a lobby, the poor often remain invisible and tend to be overlooked by development planners (Lele 1977:31). They also have no means of influencing framework conditions in their favour.
- With little or no access to education and high rates of illiteracy, the poor are lacking the ability to participate meaningfully in organisations.

According to Uma Lele, the greatest impact on the levels of living of the poor has to come from a more equitable use of assets and increase of productivity (Lele 1977: 32). The question is how this can be brought about. As has been pointed out already, asset distribution and low productivity levels are not the only causes of poverty. The causes of poverty are more diverse with causes and effects being interrelated. Many believe that poverty can only be fought by mobilising available resources and putting them to use as factors of production: labour, land and capital.

Laidlaw sees the basic purpose of co-operative organisation with regard to the poor in helping them

- to secure a fair share of the goods, services and resources of society,
- as a group to create wealth which they cannot do as separate individuals,
- to activate solidarity in the solution of social and economic problems (Laidlaw 1977:88).

But Laidlaw also stresses, that it is basic to the concept of co-operation that the poor must be involved in their own development, or there will be no true and lasting development.

Transfer of resources, helping the poor by donations of any kind may solve short term problems and be justified in emergencies, but does not offer a viable solution for sustainable poverty reduction. A proverb says: *“He who wants to help nine poor, risks to become the tenth”*.

Poverty often occurs in times of rapid change. New political and economic structures, technological innovations, degradation of social systems require new knowledge to cope with new situations. In such circumstances, lack of access to new knowledge, devaluation of “old” knowledge and loss of access to redistributed resources are real causes of poverty. Enabling the poor to acquire new knowledge and to gain access to resources can help them to learn new skills and to develop self-help capabil-

ity. Without such chances the poor will be unable to cope with change and will remain poor. To quote another African proverb: *“An empty bag cannot stand up-right”*.

The poor can lose their rights under customary law, when new (imported) rules and models are introduced, which are meant to improve the economic situation of progressive farmers.

Box 5 Deprivation of the poor by imported rules

When reform of property rights in land follows imported rules, the poor often lose the rights they have under customary land law.

In Vietnam, farmers have exclusive use rights regarding their rice fields during the dry season. During the rainy season all rice fields are flooded and in this case, all villagers have the right of fishing in the entire flooded area. When aquaculture projects were introduced, fish farming in defined and fenced areas becomes the exclusive right of the rice farmer holding the use right during the dry season. Exclusive use rights are now extended to the whole year. Only those farmers who invest in fish farming are entitled to fish in such areas where wild fish and farmed fish mix. The landless poor who used to have access to and fishing rights in all flooded areas are now excluded. This may lead to social tensions and failure of such projects (Werthmann 2008).

When communal forest areas are put into commercial use and use rights are allotted to individual farmers or farmer groups, the customary rights of all villagers of access to all communal forests for collecting firewood and wild fruits are affected. When laws are introduced to authorize private use of forests, the customary use rights of the poor who depend most on free access to the forests, are cancelled without compensation (Münkner 2002: 367).

Poverty is relative. It depends on the environment, in which people live and on the basic needs which people have. Laidlaw brought this aspect to the point:

“I thought I was poor when I had no shoes, until I saw a man who had no feet”.

Box 6 Poverty by causes

Income poverty	due to lack of resources, productivity and income
Mental poverty	due to lack of capability to adjust to changing conditions
Physical poverty	due to malnutrition and bad health
Power poverty	due to lack of political and economic power, representation and lobby
Exclusion poverty	due to lack of political and economic power, representation and lobby
Isolation poverty	due to lack of co-operation with others
For the different forms of individual poverty see also Braun 2010: 17.	

Subsistence economy is not equivalent to poverty.

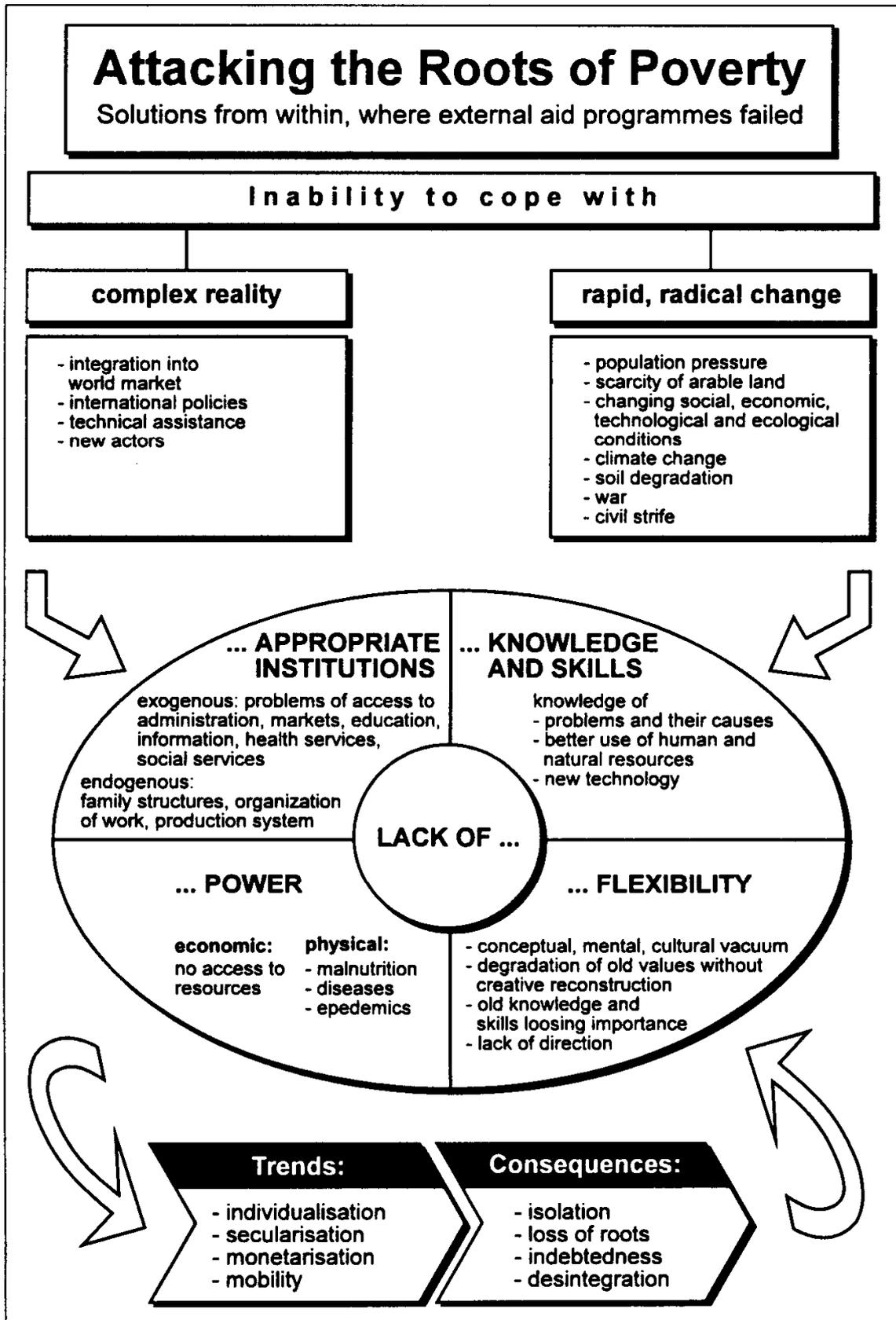
The relative nature of poverty can be experienced when travelling in some rural areas of the Sahel region, where village communities are still intact and the old rules of communal land use still apply (e.g. in Burkina Faso). By European or American standards, the villagers would be seen as living in extreme poverty, but the villagers do not consider themselves as poor. They use their limited resources with dignity, share whatever they have and practice what Göran Hydén calls “economy of affection”, which follows three simple rules:

- Everyone has the right to cover his/her basic needs.
- Those, who have more than they need to survive, have to share with those who have less.
- These rules only apply to members of the kinship group, which is often identical with the village group.

In this system, the poor are those not belonging to a kinship group, the excluded. Disintegration of village groups, changes of land law, deterioration of climatic conditions, civil unrest forcing people to leave their villages and to become refugees are the most frequent and serious causes of rural poverty.

The issue of fighting or reducing poverty is one of giving people who have been up-rooted from their original settings by rapid change the chance to acquire new knowledge and skills to cope with a new environment, to enhance their self-help capacity and their determination to take self-help action. This can be done best in groups and where kinship ties have been disrupted, in groups of people with interests in common.

Fig. 2: Attacking the Roots of Poverty
Source: Bakhit, I. et al. 1996: 13.



Birchall has stressed an important point which has been overlooked by development agencies for decades: It is wrong to believe that the mission of co-operatives is to help the poor. It is also wrong to assume that co-operatives have members. In fact, members have co-operatives. Accordingly, the right approach is that the poor can form or join co-operatives to help themselves out of poverty by organised group action (Birchall 2003: 12, 13, quoting Münkner).

This change of paradigm, as Birchall calls it, helps to avoid mistakes made in the past. Where the poor group together to form a co-operative self-help organisation, this is only reasonable, if they have something they can pool and which strengthens their position in the market, e.g. pooling of labour in organised work groups or pooling of production to find a market. As a group, the poor can gain access to new knowledge more easily than alone. Learning in groups, learning from each other (mutual learning) and the ability to attract development promoters willing to teach, make co-operatives and other self-help groups venues for acquisition of new knowledge.

To sum up: Poverty can be defined as lack of resources (as compared to their neighbours) and lack of access to knowledge, income, markets and credit.

Box 7 Onion Production for Export by Women's Group in Senegal

Villagers in a remote area near Saint Louis produce onions for export on the world market. How can this work? The National Federation of Agricultural Co-operatives of Senegal (UNCAS) together with the ICA Regional Office for Africa and a Norwegian NGO started a programme of village volunteers. Young persons are nominated by villagers to participate in training as development workers and return to their villages after training.

Village women are informed by UNCAS on methods to produce onions of a variety and quality that can be sold on the world market. The women are given seeds and identify suitable storage facilities, e.g. abandoned public buildings. The women form a credit union to handle small savings and to issue small loans.

When the village groups manage to produce a certain quantity of onions of the required quality, UNCAS sends a truck to collect the onions and to deliver them to the section of UNCAS in charge of selling them on behalf of the women to exporters. The returns are paid to the women's credit union for distribution among the producers according to their own methods.

This example highlights three important points.

1. Without investment in human resources development (training of village volunteers, information of producers on modern methods of production, on organisation in work groups and on forming a credit union) the women would be forgotten in the bush. This work is done by UNCAS together with a foreign NGO.
2. Without co-operation of local producers in self-help organisations, the villagers would be unable to produce and pool enough products of marketable quality to convince UNCAS to send a truck to collect the crop. The alternative would be to sell small quantities at local markets or to travelling traders at low price.
3. Without strong partners like UNCAS and the Norwegian NGO, the entire operation would not have started. Today, the NGO has phased out. UNCAS has become a trading partner and the success of the operation depends on the prices for onions on the world market. The effects of globalisation have reached remote Senegalese villages.

Rural Revival Programme in the UK

In the UK, rural poverty has taken the form of villages without basic infrastructure. About three out of four villages have no shop, no pub, no post office, no school (because of lack of children), no health station and no public transport. For old persons without own transport, life in such dying villages is difficult. To improve the living conditions in such villages, the Plunkett Foundation together with partners has launched the Rural Revival Programme in 2002 (Plunkett Foundation 2004; Plunkett Foundation and the Countryside Agency 2004). In the meantime, the programme has found the interest of politicians up to the highest level. It has made the problems of rural poor in villages visible, has established a network of development agencies and co-operatives serving as support structures and produced self-study material placed in the internet. The last national conferences of the Rural Revival Programme attracted some 800 delegates.

The aid package provided by the Plunkett Foundation in the rural revival programme can serve as a good example for helping others to help themselves:

- Exposure training (visiting projects that work),
- learning by doing,
- knowledge sharing with promoters,
- a small start-up capital and

- access to advice, education and training.

The poor are the losers in times of rapid change. Innovations devalue “old” (conventional) knowledge and require learning, acquisition of new skills, use of new forms of organisation and new methods of production. Office workers in Europe before the arrival of the personal computer are a good example. Skills like using a typewriter and short hand as stenographer were in high demand. At short notice, these skills were devalued. Almost over night secretaries who refused to learn how to use a computer became obsolete and lost their jobs.

The same applies to subsistence farmers when agricultural development requires the production of cash crops. Such change entails change from subsistence economy (economy of affection) to market and money economy, from life as a peasant (farming as a condition) to work as a farmer (farming as a profession), from group action within kinship groups to co-operation beyond family ties.

Such transition also applies to farm size, from micro to mid-sized farms, from individual production to producer groups and contract farming, and to co-operatives: from multi-purpose village co-operatives to specialised, regional single purpose co-operatives and from agricultural to rural co-operatives.

3 Agricultural Co-operatives in the World and in the European Union (EU): Their Roles for Rural Development

3.1 Agricultural Co-operatives in the World

Statistical data concerning the number of agricultural co-operatives in the world are not available. ICAO, the ICA branch for agricultural co-operatives, represents 47 co-operative organisations from 38 countries. About 36 percent of the co-operatives represented by the ICA are agricultural co-operatives with about 29 million of a total of 800 million members.

3.2 Agricultural Co-operatives in the European Union (EU)

COPA-COGECA estimates that there are about 40,000 agricultural co-operatives operating in the EU. The 300 largest European agricultural co-operatives have an annual turnover of more than 100 billion Euros.

In the EU Member States a number of development trends can be observed which affect the role of agricultural co-operatives and their contributions to reduce rural poverty.

There are different scenarios, varying from one country to another and from region to region. In the context of this report, five areas of change can be distinguished: Political, demographic, social, economic and technological. Regarding the political framework conditions, there have been changes in the EU Common Agricultural Policy (CAP) which is turning more and more into a policy for integrated rural development.

These changes have brought about the development of new forms, roles and fields of activity for agricultural and rural co-operatives both for spread of innovations and for poverty reduction. There are huge differences of productivity, income and co-operative structures, between small farmers operating near subsistence level and large, professionally managed agribusinesses.

Political change

Under this heading there are three major issues:

- Increasing cross-border co-operation in Euro-Regions and beyond as a result of the creation of the single market.
- Restructuring of agricultural production and agricultural co-operatives with the help of European Funds and under the new Common Agricultural Policy (CAP).

- The special case of transition countries after collapse of the socialist collectives and centrally planned economy.

Increasing cross-border co-operation

Agricultural co-operatives and their federations are using the opportunities of the single European market to work together across national boundaries for instance in the milk and flower markets. This is done by building combinations or by admitting members from one state as members of co-operatives of another state. With the new European co-operative legislation in force since 2003 and in the meantime applicable in the different member states, there is the possibility to form new European co-operatives (SCE). However, so far, this opportunity is not widely used (EURICSE 2010).

Restructuring of agricultural production and agricultural co-operatives with the help of European Funds

Under its Common Agricultural Policy (CAP) and the European Social and Structural Funds the EU invested a lot of money in helping to restructure the agricultural production in its member states, e.g. by supporting the formation of producer groups with subsidies, by helping agricultural producers and their co-operatives to meet the quality standards of European and overseas markets and by opening new venues of income generation in a complex programme of integrated rural development. From 2007 to 2013, there will be only one Fund for Development of the Rural Areas, to replace the old funding system in view of extension of the EU to Central, Eastern and Southern Europe (Deutscher Bauernverband 2006: 181 f.).

After decades of subsidising production and encouraging massive over-production (milk lakes and butter mountains), the new CAP aims at changing the roles of farmers. They are no longer seen only as producers of food and energy crops, but also as guardians of the rural areas and of the environment, keeping the rural areas habitable, creating off-farm employment (e.g. green tourism), protecting consumers' interests in safe food, protecting animal welfare and managing natural resources (water, soil, electricity).

The magic word in the new CAP is "cross-compliance", i.e. the farmers will no longer be paid subsidies on production quota but rather in proportion to their land holding, provided they comply with all the new tasks allotted to them under the new CAP.

The special case of transition countries after collapse of the socialist collectives and centrally planned economy

In many of the new EU-Member States in Eastern, Southern and Central Europe, the dissolution of collective farms left large numbers of small family farms almost at subsistence level side by side with high-tech agribusinesses, resulting from the transformation of socialist collectives into market-oriented productive co-operatives or companies. The degree of collectivisation of farm land varied from high (in the former GDR) to low (in Poland). Different approaches were applied when dissolving or transforming socialist collectives and returning collectivised assets to the former owners (Eisen and Hagedorn 1998).

For the masses of small and mid-sized farmers, co-operatives maintain their classical role to serve as venues offering access to new technologies, production methods, credit and markets. The way in which socialist collective farms (LPG) were transformed in Germany can serve as an interesting example.

After a short period of attempts to turn back the clock and to dissolve the collective farms in order to give the land back to the original owners or their heirs to establish family farms of the West German type as the model for reconstruction, policy changed. The large industrial agribusiness complexes were not dismantled but turned into companies or co-operatives for collective production under the name "Agrargenossenschaften" (agrarian co-operatives) to distinguish them from the agricultural service co-operatives of the Raiffeisen model in which independent farmers co-operate mainly for joint supply and marketing.

The former collective farms turned agrarian co-operatives work on an average of 1,500 ha as compared to the average farm size of 36 ha in the old federal states. In these new co-operatives, a team of specialists produces according to the most advanced methods. Large size holdings from the socialist times and modern farm technology and business skills make a formidable combination, with which the smaller farms in West Germany cannot compete. There is also a negative side of this development: Where during socialist times a collective farm offered employment to all villagers (500 to 800 persons), the new agrarian co-operatives have on average 35 members/owners and additional hired labour, leaving the majority of villagers unemployed. The young and dynamic persons leave the villages to find employment in the Western part of Germany or abroad. The old and poor are left behind in villages with barely any infrastructure, living on low budgets and depending on public support. The new co-operative structure

in the rural areas and in the market economy has widened the gap between the rich and the poor in the villages (Steding 2006).

Demographic change

The world-wide trend is that the number of the poor increases while the rich are getting older (Wernicke 1994: 26). Some European countries (e.g. Germany) are suffering from a decreasing birth rate while old people live longer. This leads to an aging society which already now has serious repercussions on the life in villages mainly in the Eastern part of Germany. There is a rural exodus of young and dynamic people, leaving the old and those with low education behind. In family farms, young farmers have problems in finding wives. In the absence of sufficient children, schools have been merged and teachers dismissed. Shops and pubs are closing. Family structures are decaying and so is family solidarity. The search is on for alternative social structures like social service co-operatives and senior citizens' co-operatives.

Social change

As a result of demographic change, village structures are also changing. There are fewer full-time farmers and more part-time or week-end farmers. Rural dwellers and commuters form the majority of the village population while farmers become a minority (in Germany only 2.4 percent of the active population, in the EU the average is 4.9 percent). (Deutscher Bauernverband 2006: 162).

These changes have also effects on co-operative structures. The multi-purpose village co-operative as we know it from the past does no longer exist. Financial services have been separated from agricultural supply and marketing. Due to mergers, co-operative banks work on regional level with a decreasing number of branch offices in villages. There are fewer and larger, professionally run agricultural co-operatives at regional level. New co-operatives emerge like co-operatives for the processing and direct marketing of high quality regional products, water-users co-operatives, co-operatives for the production of bio-fuel and bio-gas. The new German co-operative law (2006) has reduced the minimum number of founder members for co-operatives from 7 to 3, favouring the formation of small specialised co-operatives for instance in the renewable raw materials and bio-gas production sector and allows simplified organisational structures.

Economic change

Boundless markets due to globalisation and increased competition have forced agricultural producers to innovate, become more professional and grow. The alternatives are to turn into professional agribusiness or go out

of business. The small family farms and part-time farmers are the losers of globalisation. The income disparities between large-scale and small farmers are growing.

The reactions to economic change are:

- Trans-border co-operation either by admitting members from neighbouring states or by using the new legal pattern of European Co-operative Society (SCE).
- Concentration on local and regional markets. Counting on quality, transparent production methods and consumer safety of local products and recognition as known and trusted producers.
- Going beyond the classical role of agricultural co-operatives as supply and marketing organisations, entering the fields of processing, packing and direct marketing (new generation co-operatives).
- Expansion of production from food crops to production of renewable raw materials and energy plants.

Technological change

Technological change has revolutionised agricultural production and opened new chances for farmers obliged to reduce their production of food crops to avoid over-production, with EU agricultural policy providing for premiums for leaving farmland as fallow. There appears to be an unlimited demand for energy plants and renewable raw materials.

- High-tech farming with labour saving technologies and outsourcing of use of heavy farm machinery to machinery rings, user groups or specialised entrepreneurs.
- Modern bio-farming, production of energy plants as a supplement or alternative to food farming. While prices for food crops are falling, the prices for energy plants are rising.
- Development of new technologies for the production of renewable raw materials and for the processing and use of bio-gas and synthetic bio fuel (Biomass to Liquid, BTL) made from wood pellets, animal waste and energy plants (Deutscher Bauernverband 2006: 61 f.). Small block power generators have already been developed, which produce electricity combined with remote heating systems (e.g. for schools or public swimming pools). There are already some 3,500 bio-gas production units in Germany run by farmers (Frank and Schuster 2007, p. 168). One problem in this field is growing competition with products like palm oil from African and Asian countries and ethanol made of sugar cane from Latin America.

Already now in Germany rape seed is grown on 1.1 million ha and other energy plants like maize on 0.295 million ha (Frank and Schuster 2007, p. 166; Deutscher Bauernverband 2006: 58 f.). In Germany, the target is to produce 20 percent of electricity from ecologically safe sources in 2020. The estimated potential within the next 10 – 15 years is to produce 16 percent of electricity, 10 percent of heating and 12 percent of bio-fuel from renewable energy sources (Frank and Schuster 2007, p. 166).

In 2005, this innovative sector of agricultural production had already created some 50,000 jobs in the rural areas. It is estimated that this number can grow to 150,000 in 2030 (Deutscher Bauernverband 2006: 62).

4 Agricultural Co-operatives and Poverty Reduction: potentials, limitations, preconditions

4.1 Potential of co-operatives for poverty reduction

In this section it will be discussed, what is the relationship between co-operative development and participatory development, what are the essential ingredients for success in promoting co-operatives, how to carry out co-operative development processes so as to maximise the benefits to poor people and in particular to women, how to raise the profile of co-operatives in international development and in which direction should promotion of co-operative development go.

Participatory development processes were identified as a rural development strategy and put into practice some 20 years ago (Verhagen 1984: 47 f.). They have the following characteristics:

- The subjects must be integrated into the planning process from the start.
- Intervention should start at local level (village or neighbourhood).
- Planning, time frames and budgets have to be flexible.
- The process should start with action research in form of pilot projects, which have to use a realistic approach in order to make them replicable by exposure training.
- Successful pilot projects can be used to persuade decision-makers to establish appropriate policy frameworks.
- A holistic approach is important because to improve one of the conditions of poverty and not another will not be sustainable in the long run.

Box 8 Verhagen's Eight Self-help Promotion Instruments

1. Identification of target population and target groups
2. identification of economic activities through participatory research and planning
3. education and mutual training
4. resource mobilisation (including savings) and resource provision (including credit)
5. management consultancy
6. linkage building with third parties
7. process extension and movement building
8. monitoring and ongoing self-evaluation

Verhagen 1987: 23, 36-41.

The main features of such participatory development schemes are:

- organic growth of the activities,
- participation of local people in problem analysis and identification of activities,
- focus on the poor and
- institution building at grass roots level.

Through ongoing monitoring and self-evaluation, this method of intervention becomes replicable.

The key is human resources development: Local education and training, leadership training and subject training for local leaders.

The issue is not how we can 'reach the poor' (Verhagen 1987: 13). The goal is to create a self-propelling movement that does not demand ever more resources from outside (Birchall 2003:63 ff.)

The subjects' own perception of their condition is vital. Development starts in the heads. People have to decide what form of organisation they want, with a choice from informal groups and pre-co-operatives to registered single purpose or multipurpose co-operative societies.

It is essential that these organisations are from the start genuine member-owned businesses, driven by the needs and priorities of the members and seen by others as self-reliant autonomous organisations.

Such organisations can provide a forum for discussion, for mobilising local resources, for building up bargaining and claim-making power and for widening the options for income-generating activities. They also can enhance local control over factors of production.

Sustainable co-operative development means selective integration into a wider economy and building up of defensive structures against poverty at household, group and village levels (Birchall 2003:65).

The following has to be demonstrated by the target group:

- Willingness to co-operate among potential members,
- trust in their leaders and
- financial commitment.

Sustainable development is people-driven. Accordingly, the most important instrument is investment in human resources. The need for education is unlimited.

Unlike kinship groups, where the working rules are set by custom and where membership is acquired by birth and ends with deaths or outlawry, common interest groups are formed by those who want to participate. It

is the free decision of the individual to join or quit. Such groups adopt a structure similar to that of co-operatives: open membership, elected leaders, with the object to promote the interest of the members by joint action. This is the organisational pattern of credit unions, building associations, market vendors' associations etc. Rotating Savings and Credit Associations (ROSCAS) differ in so far as there is usually no open membership but membership by invitation based on social standing of the person desirous to join.

Such self-help organisations offer persons with limited means and opportunities the possibility to join forces with others to gain access to knowledge, markets and loans.

Grouped together in co-operatives or other self-help organisations, the poor become more visible, can be approached more easily and can absorb assistance offered to them. In this regard, co-operatives and other self-help organisations can serve as a forum, where the organised of the poor can communicate and interact with development agencies. To quote Bertold Brecht: Some people are in the light and some people are in the dark. Seen can be those in the light, those in the dark are out of sight.

4.2 Value of genuine co-operative self-help organisations in development policy

Genuine co-operatives develop slowly, at their members' own speed. They can only be promoted with methods within reach of the members. They can be enhanced best by creating favourable framework conditions. *"Build roads so that we can start to do business and earn money". "Make rules for fair competition so that we can bring our products to the market without discrimination"*.

Co-operatives managed by their members have the ability to mobilize self-help and local savings for local development. They can generate genuine added value by –

- pooling resources and efforts,
- building bargaining and claim-making power,
- opening access to knowledge, resources, markets, credit and income,
- introducing innovations,
- building trust in democratically elected and controlled leaders and in a self-controlled system.

Characteristics of genuine co-operatives are that they are self-financing, self-managed and able to operate with low transaction cost.

Co-operatives are a venue for human resources development and institution building. They make it possible to develop locally adjusted new knowledge by knowledge sharing with external promoters and *“learning from the future”*. They also offer a learning ground for operating beyond kinship ties. In a World Bank Paper it is stressed that NGOs can serve as effective conduits for *‘local knowledge’* which is valuable at the design stage, however without expressly mentioning co-operatives (World Bank 1998: 10 par. 27). For a list of development functions of genuine co-operatives see also Verhagen 1980: 5, 6.

4.3 Minimum requirements for co-operative development

Some development planners hold the view, that co-operatives can be formed where needed to implement development programmes or projects. However, experience has shown that genuine co-operative self-help organisations will only come into being where certain requirements are met (Münkner 1976: 12-13; Verhagen 1980: 6-9; Göler von Ravensburg 2007: 745 f.).

Following the structural design of co-operative societies, these minimum requirements can be classified in two basic categories:

- Minimum requirements related to the co-operative group and
- minimum requirements related to the co-operative enterprise.

In addition there are minimum requirements in terms of external factors which facilitate or impede co-operative development (Münkner/Wardenski (2005).

(a) Minimum requirements related to the co-operative group

There has to be a **concrete and definite reason** for forming a self-help organisation. Joint action has to be motivated by a common, genuine and felt need to obtain economic benefits or to unite forces for a stronger position. The strongest motivation for forming a co-operative is the absence of alternatives to co-operation. Hydén: *“(...) the despair of extreme marginalisation breeds organisation”* (quoted in Verhagen 1980: 22).

There has to be a **core group**, i.e. a nucleus of active individuals with common economic interests to serve as founder-members and work towards the integration of more persons in the co-operative group, once the co-operative society is formed.

The persons desirous to form a co-operative society need a **minimum standard of information and education** and the ability to recognise the advantages of working together in the co-operative way. They have to un-

derstand the principles and practices of co-operation, know their rights and obligations vis-à-vis the co-operative society and the rules of their common endeavour (the by-laws).

There have to be persons prepared and able to serve as **leaders**, to motivate and organise the group and to direct its activities towards achieving the objects of the co-operative society. For more details see Verhagen 1984: 89 f.

(b) Minimum requirements related to the co-operative enterprise

Not every economic activity is suitable for co-operative action.

The **economic activity or economic potential** of prospective members has to be of a kind **that can be exercised jointly more effectively than individually**. If it is too small, the proverb may apply that the addition of zeros does not make a number.

Prospective members must be **able and willing to make** (even small) **contributions** in cash or kind or in form of liability. Hence, persons without any means cannot improve their position by forming co-operatives.

The number of members and volume of their **joint activities must be large enough** to serve as a basis on which to build a co-operative enterprise and to justify the organisation cost.

Persons must be available among the members **who can serve as board members** and can control employed management.

Every attempt to form a new co-operative should start with the identification of a core group and of a co-operative-suited economic activity.

It is important to keep in mind that **co-operatives are autonomous associations of persons, designed to meet their needs** – not the needs of others (Birchall 2004: 6, 19). This implies that promoting co-operatives as ‘tools’ for development is basically wrong. Assistance has to be given to members, in order to create their own income generating activities (Birchall 2004: 19).

Only when individuals start to co-operate, their self-help organisations can have positive effects on the lives of the poor and develop their potential to empower women, contribute to education, health care, fair trade and environment protection, all goals that the UN is promoting (Birchall 2004: 21).

(c) Minimum requirements regarding a favourable environment (external factors)

There are general conditions influencing success or failure of co-operative ventures.

- An economic, political and legal system giving room for co-operative activities based on private initiative, e.g. enabling co-operative legislation, a land tenure system allowing the poor to have access to land in terms of long-term, secure use rights for the tiller and measures against absentee landlords. Furthermore, there have to be rules securing fair competition.
- A clear and realistic government policy concerning co-operative development. A policy of benign neglect is preferable to a policy of establishing parastatal co-operatives used as servants with government as the master. There are official statements supporting independent co-operatives (ICA ROAP 1999, UN Guidelines 2001, ILO Recommendation 193 of 2002).
- An infrastructure which facilitates the working of co-operatives, including an education system, information and extension services (e.g. the US Department of Agriculture as a good example), means of communication and transportation (e.g. the national federation of co-operative fruit and vegetable producers in Burkina Faso, having a cold storage near the airport of Ouagadougou to use idle capacities of airlines at short notice for transport to Europe).
- A structure at community level flexible enough to allow different forms of self-help organisations to develop including co-operative societies.

With regard to the importance of all these minimum requirements Laidlaw can be quoted who wrote in 1977: *“Enthusiasts for the co-operative idea have to face the fact that many people living in poverty and extreme want, are simply not ready for co-operatives and for them to form pre-co-operatives may be necessary and indeed more valuable”* (Laidlaw 1977: 89).

A number of general conclusions can be drawn from the above list of minimum requirements.

There is need to prepare the ground for co-operative development. It is unrealistic to believe that co-operatives can create the preconditions for their own development. Birchall (2003: 9, 10) stressed this point when he wrote: *“UNRISD researchers were not aware that co-operatives are owned*

by their members and that they do not create the environment they operate in”.

It is known from experience, which measures of co-operative development schemes are suitable to form viable co-operatives and which are not. Asking promoters without training and experience in co-operative work to help form co-operatives is like asking the blind to lead the blind or asking a bird to teach a fish how to swim. Verhagen (1984: 140 f.) describes 13 major features of action-programmes for promoting self-help.

Göler von Ravensburg (2007: 789) summarises the conditions for creation, development and stability of co-operative societies as follows:

Box 9 Conditions for creation of co-operative societies	
<ul style="list-style-type: none"> • Presence of active founder-members and eventually external promoters. • Co-operative advantages known and appreciated by the founder-members. • Members being economically active in fields suitable for co-operative work. • Members trusting one another. • Founder-members or promoters being able to make contributions to start the co-operative society. 	
Conditions for development and stability of co-operative societies	
<p>Organisational framework (by-laws) and eventually access to incorporation</p>	<ul style="list-style-type: none"> • being known to members and by which they feel bound; • which remain valid beyond the present membership group; • which are applicable to all members and the respect of which can be enforced.
<p>Member participation</p>	<ul style="list-style-type: none"> • With regard to steering the organisation and creating transparency to ensure that the focus on member-promotion is respected by the management and vis-à-vis free-riders. • In the economic sphere <ul style="list-style-type: none"> - by financial contributions, - by the ties of jointly owned property and indivisible reserves. - by business relations of members with their SHO (member-transactions).

	<ul style="list-style-type: none"> - by sharing the surplus earned in co-operative business. - by sustainable inducement-contribution relations, balancing individual interest and group interest and by guaranteeing the object of member-promotion, so that members cannot find better conditions offered by other market-partners. - by a jointly owned enterprise having <ul style="list-style-type: none"> = sufficient owned capital, = a dynamic, competent and motivated management, = taking account of members' and customers' wishes.
<p>Focus on members' interests</p>	<p>In subsistence economy predominantly in the fields of:</p> <ul style="list-style-type: none"> • food, housing, clothing, • protection against natural and societal disasters. <p>In modern agricultural conditions:</p> <ul style="list-style-type: none"> • better use of resources, • overcoming production and marketing risks, • better position in the market, • better supply of inputs, • better knowledge transfer.

4.4 Co-operatives for the poor, of the poor and open to the poor

In his paper 'Co-operatives and Rural Poverty – Eight Questions Answered', Verhagen asks in the second of his eight questions "*which is of greater benefit for the poor: separate co-operatives of their own or co-operation with more prosperous farmers?*" (Verhagen 1980: 15). Although he sees the difference, he does not distinguish clearly between co-operatives **for** the poor and co-operatives **of** the poor. He deals with co-operatives for the poor – promoted by government – but not as a special category.

In a broader meaning, any development programme meant to help the poor can be seen as a programme facilitating co-operatives of the poor. Substantial welfare components of a general development programme

can help to break the vicious circle of poverty and make it possible for the poor to start helping themselves by organising self-help groups of their own (Verhagen 1980: 23).

Unless membership in a co-operative society results in direct and tangible benefits for the member, it is unrealistic to expect a subsistence farmer to invest his scarce time and resources to participate in such co-operative. Many of the rural poor are 'unemployed' – yet they are in fact over-occupied to secure their survival (Verhagen 1987: 14). Often the poor benefit from bonds with wealthier members of the village community. In this case, maintenance of existing social networks with wealthier members of the community is in their interest and not severing such bonds by setting up separate co-operatives of the poor (Verhagen 1980: 16).

The Loughborough Meeting of Experts saw the balance against special co-operatives of the poor or for the poor (ICA 1977: 12). However, there are circumstances where it is logical to opt for separate co-operatives of the poor, e.g. where imbalances of power distribution both inside and outside the co-operative clearly call for separate co-operatives. However, it is for the poor themselves to decide (Verhagen 1980: 16).

Verhagen draws attention to the dilemma where co-operatives of the poor are not viable, but existing local power structures make it imperative to set up separate co-operatives of the poor or for the poor (Verhagen 1980: 17), a dilemma, which can only be solved from outside. Lopsided power structures in rural areas can only be corrected by decisive political measures in favour of the poor (COPAC Statement 1977: 2). Yet, Verhagen, Laidlaw and many others doubt, whether such policy and government action will work in practice, or whether the cure is worse than the disease.

A solution may be in promoting a new type of small and simple self-help organisations which are not of interest to the more well-to-do farmers (Verhagen 1980: 18), e.g. small savings and loan associations, joint use of farm machinery, common initiative groups (GIC) like in Cameroon from 1992 (Guillermou 2005: 26-39). Another solution may be "umbrella co-operatives", i.e. large co-operatives with members from different social strata, with subgroups of members with lower and higher income, represented by their own elected leaders in meetings of delegates.

A dogmatic position in this matter does not help. Where differences of interest between the different categories of members are conspicuous, separate co-operatives would be advisable and reasonable. Where mutual solidarity prevails in village communities, separate co-operatives of the poor or for the poor would not make sense.

From this follows that there are no hard and fast rules as to which of the three types of co-operatives are better suited to reduce poverty. It depends on the prevailing conditions. But it is known from experience that programmes of poverty reduction and programmes for the promotion of co-operatives should not be confused. Co-operatives are organised self-help and not charities. Since Raiffeisen's times in 1850 we know that charity undermines self-help.

Special co-operatives for the poor have been tried in the 1960s and 1970s with investment of large sums of money but without lasting effects (ICA 1977: 12). A closer look at the pros and cons explains why.

(a) Co-operatives for the poor

Pros

Co-operatives for the poor are created with external support to meet the needs of the poor. Instead of discriminating the poor, such co-operatives are specially designed for the poor, e.g. low level of requirements for admission to membership, low share capital contributions, if any. Leadership and management are concentrating on meeting the needs of the poor but normally come from outside the membership group. Concern for the poor is seen as part of the co-operative philosophy and of genuine co-operative spirit.

Cons

There is the danger of a paternalistic approach of promoters and seconded managers (Verhagen: father knows best). Artificial structures are created, depending on external aid and privileges. Such co-operatives easily turn into quasi-co-operatives in which lacking self-help capability of the members is substituted by external contributions, self-administration by secondment of staff from outside and members' capital contributions by grants.

There is the danger that such organisations turn into a caricature of a co-operative and into development tools without chances to survive, once the project is over.

Conclusions

Co-operatives exclusively for the poor may identify the poor but at the same time isolate them and perpetuate their dependence on external aid (ICA 1977: 12).

Such co-operatives are not really owned by the poor and may not aim at building self-reliance.

There is the danger of misuse of privileges, failure to reach the (invisible) poor, diverting external aid to self-styled functionaries of the poor and 'brokers' organising access to external aid (self-help organisations for the acquisition of external aid).

(b) Co-operatives of the poor

In development programmes covering regions where the poor prevail, such co-operatives are likely to develop. The question is whether the poor are better served by separate co-operatives of their own or by co-operatives with mixed membership (Göler von Ravensburg 2007: 782, 784).

Pros

Co-operatives of the poor truly represent the interests of the poor. They are geared primarily to meet their needs. Leaders elected by the poor from among themselves are known and trusted by the members and are familiar with the special problems of the poor. The poor remain among themselves. They develop at their own speed, contribute according to their ability and can concentrate on solving their specific problems.

Cons

A group of socially and economically weak persons is necessarily weak. Even if pooled, small economic potentials remain insignificant. Lacking the ability to make substantial contributions means to have a weak financial basis. Such co-operatives take long to gain momentum. The question is whether the poor can afford to wait until their organisation shows positive results. Election of leaders and managers from among a limited choice with limited potential may have negative effects in terms of poor leadership and management.

Conclusions

The question is whether in view of all these limitations, the poor are better served by co-operatives of their own, if there are other alternatives, e. g. join a co-operative with mixed membership. Co-operatives of the poor remain weak, even where the poor are organised in groups and pool their limited resources. Yet, with the right kind of external promotion, the poor may succeed together to work their way out of poverty by forming or joining co-operatives.

(c) Co-operatives open to the poor

If self-interest of the members is the main driving force behind co-operatives, homogeneous membership groups are the best basis for successful co-operative work. Where co-operatives are open for the poor, the

better-off members must agree that the co-operative facilities created by their contributions and efforts are shared with members of limited means.

Pros

According to co-operative principles, access to co-operatives should be open to all who can meet the requirements for membership, without discrimination of the poor (other than by high entry requirements).

In co-operatives with mixed membership, the poor can benefit from the contributions and potential of the richer members. Election of leaders and managers from among an extended membership group allows finding good leadership taking account of the needs of all members, including the poor, as much as possible.

By joining a co-operative with mixed membership the poor have access to new knowledge and to new markets. They benefit from the creditworthiness of a strong co-operative. They overcome isolation and exclusion.

Cons

In co-operatives with mixed membership, the poor may be tolerated rather than being welcome. There is the danger that they are not properly represented in the elected governing bodies, that they remain excluded even as members (Verhagen 1980: 16). The democratic structure of co-operatives cannot prevent the imbalance of power being reflected in co-operative organisation (Verhagen 1980:16). The management may be biased against the poor and may refuse to incur high cost of serving the poor with their small scale operations (ICA 1977: 22). According to views expressed in the meeting of experts in Loughborough in 1977, some of the best co-operatives are most efficient because they refuse to deal with the poor (ICA 1977:14).

Conclusions

There are many good reasons for co-operatives with mixed membership, open to the poor. Solidarity with the poor is part of the co-operative value system. However, there is limited scope for redistribution of benefits within co-operatives (ICA 1977: 22). Co-operatives must opt deliberately for the orientation to the needs of the poor and must set their internal policies in favour of mixed membership (ICA 1977: 12). But the average co-operator is no philosopher or theoretician. If the poor do not belong to the community of interests, i.e. to the main group of members, they can expect but little benefit from the co-operative, if at all (Verhagen 1980: 3). Co-operatives are a valuable means to generate wealth, but they usually do not redistribute wealth (Birchall 2003: 10).

4.5 External promotion of co-operative development

Many people think that helping others to help themselves is a contradiction in terms. In fact, it often is, unless special measures are taken, to make external promotion of co-operatives successful (Göler von Ravensburg 2007: 771 f.).

We know from experience that state-sponsorship of co-operative development tends to turn into state-supervision, especially when political targets are set (e. g. creating a co-operative in every village) and where sponsorship includes monetary incentives like grants, soft loans, tax advantages or monopolies (Münkner 2005: 111 f.). As Laidlaw put it “*Government money is the kiss of death to co-operatives*” (Laidlaw 1970: 300, par. 20.22).

After decades of experience with state-initiated and state-controlled “*pseudo-co-operatives*”, development planners are realising that there have been a number of misconceptions about the role of co-operatives in helping the poor (Münkner 2000b: 15 f.).

Today it is common knowledge that

- Co-operatives are as strong as their members make them.
- Co-operatives need a favourable environment for their development but cannot create such environment themselves.
- Helping others to help themselves is a difficult task requiring promoters with special skills, acting more as a “guide, philosopher and friend” (Calvert) than as an inspecting officer (Münkner 2000a).
- Attempts of external promoters to “modernize” people by organising them in co-operatives based on incentives, administrative pressure or coercion usually fail.
- All funds and efforts invested in co-operativisation schemes will not lead to the creation of self-reliant co-operatives but rather create dependence on subsidies.

Still, some development planners believe that external promoters can create co-operative enterprises by substituting all lacking elements, which according to good co-operative practice, the members themselves would have to bring together, hoping that once the enterprise stands, a membership group will emerge and take over. They fail to realise that they create artificial structures and extensions of public administration, which will only work as long as they are financed by external funds. But “*co-operative enterprises must not be confused in theory and practice with*

welfare schemes for the benefit of the poor. Co-operation is organised self-help. Charity undermines a self-help orientation.” (Verhagen 1980: 4).

From the beginning of planning and action, co-operatives must be carried out in accordance with the basic principles of co-operative organisation. Democratic control and self-reliance cannot be ‘built in’ at a later stage (e.g. through co-operative education) if they have not from the outset contributed to the effective functioning of the enterprise (Verhagen 1980: 3, 4; Verhagen 1984: 140 f.).

Göler von Ravensburg (2007: 784) summarises success criteria for external promotion of co-operatives as follows:

- Choice and training of leaders,
- Neutral or positive attitude of the local population regarding co-operative societies,
- Simple structures of governance,
- Close relations between the co-operative and the community,
- A modern co-operative law,
- External support only for a limited period and without influencing the goals of the co-operative society,
- Participatory methods of defining the programme strategies,
- Favourable framework conditions.

This corresponds to what was presented in an Expert Meeting on Co-operatives in the ILO in 1992:

“... external aid to co-operatives is best used to facilitate processes such as knowledge sharing between external promoters and co-operators (rather than knowledge transfer), the speeding up of learning processes, education and training programmes designed jointly by donors and recipients, participative research, reliable and affordable consulting services, self-evaluation and participative policy-making and lawmaking.

The external promotion of co-operatives, which should be an exception, rather than a rule, should apply to long-term, continuous programmes with a clearly defined time-limit (e.g. 10 or 20 years), be based on mutually agreed conditions and respect the principle of subsidiarity, i.e. offering only such aid and promotional services that co-operatives cannot provide by themselves.” (ILO 1992: 19).

Braun defines what the principle of subsidiarity in the context of development co-operation means:

- Help others only where they cannot help themselves,
- Give priority to self-help groups and NGOs before offering help from public sources,
- Give communal self-help activities priority to state aid,
- Give national efforts priority to international efforts (Braun 2010: 1, 2).

Long term and flexible programming and financing in both donor and recipient countries are preconditions for success (Verhagen 1980: 41). However, under general budget rules, both conditions are difficult to meet. Payments are often authorized in two or three years budget cycles and have to be spent according to approved plans.

So-called de-officialisation, the gradual phasing out of external authority (FAO 1992: 51 f.), does not appear to work in practice. In Africa in the 1980s the trend has been in the opposite direction (Verhagen 1980: 3; Münkner 2005: 132 f.).

Of the many parties involved in development aid, the 'brokers' inside and outside co-operatives are those who take a substantial share of the funds (Verhagen 1980: 42) which, from the perspective of the recipients, are coming from anonymous and distant sources in form of 'cold money' (argent froid), meaning money that is not socially controlled.

4.6 Learning from the future

Where "*old*" knowledge is devalued by rapid change and "*old*" structures are decaying, the usual learning process of learning from experience, is disrupted.

How can the poor gain access to new ideas, to new ways of using available resources, new production methods, new markets? How can they learn to survive in a changing environment?

This can only be achieved by learning what others in other parts of the world have developed and are practicing for some time with success as a response to changing conditions. The poor have to learn from the future.

New knowledge can be provided by development entrepreneurs (Röpke 1992: 97 f.; Madjedje 1999: 123 f.), paid by NGOs or technical aid organisations, serving as discussion partners and innovators. Instead of teaching the ignorant new ways of thinking and of trying to modernize the backward, the more suitable method of spreading new knowledge is "knowl-

edge sharing”, i.e. a synthesis of expertise brought from outside and experiential knowledge of the rural poor, resulting in new knowledge adjusted to the local situation (Verhagen 1987: 38). Knowledge sharing means exchange of knowledge between external promoters and the local poor, enabling the latter to have a better understanding of the causes and effects of change, of the ways and means to cope with change, of better use of available resources and how to mobilise additional resources.

In this way, new, locally adjusted knowledge can be created, allowing the poor to retain their local roots and those parts of their values, norms of behaviour and skills that can sustain under changed conditions, while selecting such elements of new knowledge, presented to them by promoters, which they feel appropriate to improve their chances for survival in a changed environment.

Birchall warns that the large donor organisations will have to invent the wheel again (Birchall 2003: 69), if they continue to ignore the role of co-operatives in their development programmes and projects, although they propagate human resources development, mobilisation of local resources by recommending and supporting community organisations, farmers’ organisations, self-help groups and member-based micro-credit schemes with internal democratic structures and with the object to promote the interests of their members. By avoiding calling these co-operative-type organisations co-operatives, they miss the chance to build on experience gained in more than 150 years of co-operative work.

5 Co-operatives and poverty reduction in international development policy

Poverty reduction clearly is one of the Millennium Development Goals (MDG) of the UN. The role of co-operatives in reaching this goal is less clear.

On the one hand, reports of the Secretary General and the UN Guidelines of 2001 aimed at creating a supportive environment for the development of co-operatives mention co-operatives as indispensable partners in development, but on the other hand, there is no special UN agency dealing with co-operatives. The Committee for the Promotion of Aid to Co-operatives (COPAC) is a relatively informal representation of co-operative interest at UN level. The attitude of international development organisations towards co-operatives and their role in poverty reduction remains vague.

In his ILO Publication of 2003, Birchall shows that the main actors in development policy: World Bank, UNDP, FAO and ILO avoid direct reference to co-operatives as change agents (Birchall 2003: 15 f.). But they emphasise that development programmes aimed at poverty reduction have to start from the bottom and have to involve the poor, have to promote the creation of local or community organisations and farmer-owned businesses. When looking more closely at such local organisations, it becomes obvious that they have all the characteristics of co-operatives and are supposed to serve as agents for carrying out functions which are typical for co-operatives however it is avoided calling them co-operatives.

Fifty years after the Second World War, during which co-operatives were used in a planned, top-down attempt by governments and international aid agencies to deliver economic growth left *“an indelible impression in the minds of many policy makers at the UN, World Bank and other international agencies that co-operatives have failed”*. *“However, co-operatives as autonomous member-owned businesses had rarely been tried”* (Birchall 2004, 3). The enormous potential for delivering pro-poor growth that is owned and controlled by the poor themselves – growth with equity – remains to a large extent unused (Birchall 2004: 9; Göler von Ravensburg 2007: 744, 763).

Hence, reluctance to accept co-operatives as partners in development dates back to the 1970s. This negative attitude towards co-operatives was reinforced by the collapse of socialist collectives in the transition countries in the 1990s. Over the last decades, the view of development planners of

the role of co-operatives in rural development and poverty reduction has changed.

- **From** over-confidence in the ability of co-operatives to help overcome the problems of underdevelopment and poverty – perceiving co-operatives as a kind of magic formula which governments and development agencies could apply at will – **to** deep rooted scepticism regarding the capacity and usefulness of co-operatives to help the poor, following the negative verdicts of UNRISD studies in the 1970s (UNRISD 1975: x; Münkner 1976: 1, 2) and ample negative experience with ill conceived co-operative projects.
- **From** programmes of state-sponsored and state controlled co-operatives with modest results, if any, and high cost, **to** the rediscovery of co-operatives based on self-help for development policy in the late 1980s, when restrictions of government budgets and structural adjustment programmes forced governments to cut expenditure on over-sized public development agencies and co-operative development services, which had seen co-operatives mainly as instruments of the state for the implementation of government policies (Münkner 1995; Birchall 2004: 3).

In a nutshell, the main points regarding attitudes of international development agencies towards co-operatives and their role in poverty reduction can be summarised as follows, using Birchall's ILO publication on rediscovering the co-operative advantage of 2003 as the main source.

5.1 UNRISD in the 1970s

The attitude of research workers of UNRISD towards co-operatives was negative, because in their view:

- Co-operatives cannot be generally regarded as agents of social and economic change for the masses of the poorer inhabitants in developing countries.
- Co-operatives are usually inefficient, because they are too small, financially weak, without qualified management and generally insignificant with regard to output.
- Where co-operatives are economically efficient, the privileges granted to them are usually for a small minority of people who are already better-off, reinforce the old or create new privileged classes, usually select their leaders from among traditional elites and do not help the masses of the real poor.

Their conclusion was that co-operatives tend to increase the existing economic and social inequalities rather than to reduce them. Their impact on increased solidarity in the community, equalising access to opportunities, increased productivity, by introducing innovations, redistribution of income in favour of the poor and establishment of effective democratic structures are insignificant (Münkner 1976 and sources quoted there).

5.2 United Nations (UN)

At the World Summit for Social Development 1995 it was stated that the international community was *“fully committed to utilising and fully developing the potential and contribution of co-operatives to eradication of poverty”* (Birchall 2003: 16).

In a UN General Assembly Resolution of 1996 it was said that *“due consideration should be given to the role, contribution and potential of co-operatives in achieving social and economic goals”* (Birchall 2003: 17).

In a Resolution adopted by the General Assembly in the 56th session agenda item 108 (A/RES/56.114 Distr.: General Assembly, 18 January 2002), the General Assembly –

“encourages Governments to keep under review, as appropriate, the legal and administrative provisions governing the activities of co-operatives, with a view to ensuring a supportive environment for them and to projecting and advancing the potential of co-operatives to help them to achieve their goals” (paragraph 3). Governments are urged inter alia to encourage and facilitate *“the establishment and development of co-operatives for the attainment of social goals. In particular the eradication of poverty, the generation of full and productive employment and the enhancement of social integration”* (par. 4 (a)) and *“to encourage and facilitate the establishment and development of co-operatives, including taking measures 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”*. (par. 4 (b)).

The UN Guidelines of 2001 aimed at creating a supportive environment for the development of co-operatives contains a clear statement of objectives:

1. *“Within the General Assembly and the Economic and Social Council, and at major international conferences, Governments have acknowledged the significance of co-operatives as asso-*

ciations and enterprises through which citizens can effectively improve their lives while contributing to the economic, social, cultural and political advancement of their community and nation. They have recognized the co-operative movement as a distinct and major stakeholder in both national and international affairs.

- 2. Governments recognize that the co-operative movement is highly democratic, locally autonomous but internationally integrated, and a form of organisation of associations and enterprises whereby citizens themselves rely on self-help and on their own responsibility to meet goals that include not only economic but social and environmental objectives, such as overcoming poverty, securing productive employment and encouraging social integration.*
- 3. Consequently, Governments seek to create an environment in which co-operatives can participate on an equal footing with other forms of enterprise and develop effective partnership to achieve their respective goals. Policies should protect and advance the potential of co-operatives to help members achieve their individual goals and, by so doing, to contribute to society's broader objectives.*
- 4. However, such policies can be effective only if they take into account the special character of co-operatives and the co-operative movement, which differs significantly from that of associations and enterprises that are not organised according to co-operative values and principles.*
- 5. The objective of the present guidelines is to provide advice to Governments and to set out broad principles on which national co-operative policy might best be based, recognizing that more specific and detailed national policies fall within the responsibility of each Government. Because of the governmental expectations regarding the co-operative movement and the rapidly changing global conditions and changes in the co-operative movement itself, many policies in most of the Member States of the United Nations might benefit from review and in some cases from substantial revision."*

In a total of 26 paragraphs the guidelines offer advice in the following fields:

Policy regarding co-operatives and the co-operative movement, including public recognition, legal, judicial and administrative provisions, dealing with co-operatives in national constitutions, the choice between one gen-

eral law for all co-operatives or special laws for special categories of co-operatives, monitoring, review and revision of laws and judicial and administrative practices, research, statistics and information, education, provision of public funds and institutional arrangements for collaboration and partnership.

Generally, the literature on MDG does not mention co-operatives very often. Birchall notes that in the latest UN Development Report the only reference to co-operatives are sewing co-operatives of women (Birchall 2004: 36).

5.3 World Bank

The official attitude of the World Bank towards co-operatives and their role in poverty reduction is hesitant if not negative. The term “co-operative” is avoided. This is surprising because the existence of co-operatives, being among the most widely spread NGOs, cannot simply be ignored. Many of the organisations which are mentioned in World Bank publications have the characteristics of co-operative societies: Voluntary association, pooling of resources, jointly operating a business unit and working as user-driven, member-oriented organisations.

This attitude of avoiding reference to co-operatives is for instance reflected in the Social Development Paper Number 28 of 1998 with the title: *The World Bank's Relations with NGOs: Issues and Directions*. In the entire paper the term “Co-operative” does not appear. Instead other terms are used to describe the existing range of NGOs, interesting the World Bank as potential partners, comprising *“a large variety of associations, societies, foundations, and charitable entities, entirely or largely independent from government, to serve humanitarian, social and cultural interests”* (World Bank 1998: 2 par.6).

The discussion in this paper is restricted to *“those NGOs, which work in the fields of economic and social development, welfare, emergency relief and environmental protection, or that comprise or represent the poor or vulnerable people and includes informal associations as well as those which are formally constituted and registered”* and *“community based organisations which may or may not be legally established and which are formed to serve the interests of their own members or communities”* (World Bank 1998: 2 par.7).

It is mentioned that *“the Bank-NGO dialogue has broadened to include other types of civil society organisations including trade unions, academic institutions, foundations, women's and peasants' associations and other community based organisations”* (World Bank 1998: 8 par.24). *“In recent*

years the Bank has come increasingly into contact with other sectors of civil society including parliamentarians, religious institutions, trade unions, professional associations and chambers of commerce, among others” (World Bank 1998: 17 par.47).

“Fundamental premise for the Bank’s work with NGOs is to help our borrower countries to reduce poverty and achieve sustainable development” (World Bank 1998: 9 par.25).

Instead, other terms are used to describe co-operative-type organisations needed in its development programmes and projects, like farmers’ organisations, farmer owned businesses, community organisations. They all have most of the characteristics of co-operative societies: Voluntary association, pooling of resources, jointly operating a business unit and working as user-driven, member-oriented organisations.

There are three elements in the World Bank Policy on poverty reduction:

- **Opportunity**, i.e. the poor have to have the chance to lift themselves out of poverty and all other forms of deprivation that go with it (Birchall 2003: 20).
- **Empowerment**, i.e. expansion of assets and capacities for poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives (Birchall 2003: 21).
- **Institution building**, i.e. building local institutions, but being vague about the kind of organisation the poor will have to form, mentioning, however, that they should be democratic, with economic aims, owned by the poor and returning the benefits of collective action to them (Birchall 2003: 19).

In the comprehensive development framework of the World Bank of 1999 it is said that specific rural strategies include a range of market mechanisms like credit for farmers, storage, transport, marketing, all services usually provided by co-operatives, but without mentioning co-operatives (Birchall 2003: 18). Furthermore, the importance of civil society is mentioned, referring to local NGOs and local groups organised for the implementation of projects (World Bank 1998: 8, par. 24).

Five principles underlie the World Bank poverty reduction policies:

- Real action on the ground that is appropriate to the local level.
- Results-oriented action, measured not only by amounts of inputs but by effects on the poor.
- Comprehensive approach in recognising the multidimensional nature of poverty.

- Partnership orientation, involving the coordinated participation of development partners.
- Aiming at a long term process of societal transformation.

Three key steps are mentioned:

- Develop comprehensive understanding of poverty and its causes.
- Choose a mix of actions that have the highest impact on reducing poverty.
- Monitor the process with outcome indicators.

All these elements, principles and steps of the World Bank's rural development policy and poverty reduction strategy come very close to promoting co-operative-type organisations at grassroots level.

In its Source Book on Poverty Reduction Strategies, the World Bank offers an approach which puts pressure on recipient governments to act according to needs and priorities defined by representatives of civil society and other partners engaged in fighting poverty. In this way, emergency relief can be provided, however, the underlying basic problems of underdevelopment remain unsolved.

5.4 Food and Agriculture Organisation of the United Nations (FAO)

A clear commitment to a participatory approach in rural development and to co-operatives was expressed by W. D. Maalouf, Officer-in Charge, Human Resources, Institutions and Agrarian Reform Division of FAO, in his foreword to the publication "Strategies for Promotion of Self-help Organisations of the Rural Poor" prepared for FAO by Münkner, Baltes and Gamm of Marburg Consult for Self-help Promotion, Rome 1992:

*The paper "**Strategies for Promotion of Self-help Organisations of the Rural Poor**" has been prepared with the aim of familiarizing all FAO technical staff, governments, NGOs and others concerned with rural development with the Organisation's stance and approach as regards rural cooperatives and other self-help associations of the rural poor.*

*Approval by the FAO Conference in November 1991 of the FAO **Plan of Action for People's Participation** confirmed FAO's interest in promoting participatory, sustainable rural development. Member-oriented, member-controlled self-help organisations lie at the heart of participatory rural development, and yet, the history of development in the past century has often seen the inhibiting or twisting of these potentially powerful grassroots institu-*

tions. Recognising that ad hoc assistance often has little long-term benefit – and may even discourage the development of strong, independent organisations, FAO today seeks to help poor farmers and other rural people to build autonomous, financially self-sustaining organisations for the economic and social benefit of their members. That approach is set forth in the pages which follow.

Since rural development is a multi-faceted phenomenon, FAO's efforts in support of rural development typically involve many technical areas. Increasingly, project planning and implementation involve the collaboration of specialists in agricultural sciences, economics, sociology, environmental science and other areas. No single expert could be expected to design a rural development programme or project without input from others whose expertise complements his. Ideally, such specialist also knows something about the fields of his colleagues, and about the ways in which the various disciplines overlap and interact.

It is with a view to such increased awareness that this paper has been prepared and circulated. Its objective is to acquaint readers with FAO's approach to rural self-help organisations and its approach to their promotion, for sustainable development in which all rural people can participate”.

There is a generally positive attitude towards co-operatives in the FAO (Birchall 2004: 38), but because of the legacy of the past it is preferred to call local organisations different names like farmer-owned businesses, rural peoples' organisation, participatory farmers groups, village management committees (Birchall 2003: 25). In his foreword to the “Strategies for the promotion of self-help organisations of the rural poor” (FAO 1992), W. D. Maalouf, officer-in-charge, Human Resources, Institutions and Agrarian Reform Division, mentions rural co-operatives and other self-help associations of the rural poor, but mostly refers to member-oriented, member-controlled self-help organisations as lying at the heart of participatory rural development and also mentions that history of development in the past century has often seen the inhibiting and twisting of these potentially powerful grassroots institutions.

The extent to which a particular group of farmers has awareness of co-operative organisation and capacity for self-organisation are variables. Such groups will receive the technical, legal and financial help they need to set up co-operatives (Birchall 2003: 25, 26).

A guide for *“Planning of programmes and projects for the promotion of cooperatives and rural groups based on the AMSAC concept, Appropriate Management Systems for Agricultural Co-operatives”* had been prepared for FAO by Münkner, Baltes and Gamm of Marburg Consult for Self-help Promotion and published by FAO already in 1991 but obviously was not widely used.

“The FAO aims to build the capacities of rural public institutions and private-sector and civil society organisations, including co-operatives, at all levels to become effective partners in designing and implementing policies and strategies, as well as poverty alleviation and food security programmes that improve the socio-economic and food security conditions of small farmers, the rural poor, and other marginalized groups. FAO has been implementing a training-of-trainers programme aimed at helping developing countries and countries in transition transform their agricultural co-operatives into genuine self-reliant organisations that operate efficiently within a market economy and contribute to improving incomes and employment opportunities for small producers” (UN Secretary-General’s Report 2001, para 20).

“The FAO cooperative programme focuses on strengthening the business competitiveness of agricultural co-operatives through improved co-operative capital formation” (UN Secretary-General’s Report 2001, para 21). FAO has promoted the establishment and development of small farmers’ co-operatives, mainly through its field programmes and technical assistance projects (UN Secretary-General’s Report 2001, para 22).

The aim of FAO is ‘building farmer self-help capacities by strengthening agricultural co-operative business in liberalised markets’. Its co-operative development programme provides policy advice to member countries, training materials etc. However, budget cuts for 2004-2005 may threaten its whole rural organisation strategy (Birchall 2004: 39). There is no special branch or department dealing with co-operatives in the FAO.

5.5 International Labour Organisation (ILO)

Article 12 of the constitution of ILO contains the obligation to hold official consultations with internationally recognised organisations of employers, workers, agriculturalists and co-operatives. Initially there was close collaboration between the ILO and the International Co-operative Alliance (ICA). The first Director-General of the ILO, Albert Thomas, who

was the earlier leader of the French co-operative movement, remained a member of the executive committee of the ICA.

ICA has one of the seven permanent observers' seats on the ILO governing body and participates in the International Labour Conference. ILO and ICA are members of the International Committee for the Promotion of Co-operatives (COPAC) which includes other UN agencies and the International Federation of Agricultural Producers (Fazzio 2009: 2).

During the early years of the ILO, the Co-operative Service has been the focal point for international research and publications on co-operative issues such as legislation, registration, management and membership education. In addition the service was the framework for a number of ILO Meetings of Experts on Co-operatives to discuss and to make recommendations for international action by the ILO and its Member States on these subjects.

(a) ILO in the 1970's

In 1966, the ILO adopted Recommendation N° 127 concerning the role of co-operatives in social and economic development of the developing countries, re-inforcing the partnership between the ILO and the worldwide co-operative movement. A major policy paper and action plan for the submission to the United Nations Special Fund was formulated by the ILO, intended to develop and implement technical co-operation programmes for new Member States of the ILO for the development and extension of national co-operative movements. This paper and action plan became the United Nations Development Programme (UNDP) (Fazzio 2009: 2).

Between the 1970's and the 1990's more than 50 ILO Member States in Africa, Asia, Latin America and the Caribbean received ILO/UNDP support for the development of agricultural producer co-operatives, co-operative food banks and other forms of co-operatives.

At any one time, more than 100 technical field experts were being coordinated by the ILO Co-operative Branch to carry out this development work. There were regional advisers for each of Asia, Latin America, the Caribbean, East Africa, West Africa and the Arab States.

Details on the ILO Programmes like MATCOM (Materials and Techniques for the Training of Co-operative Members and Managers) supported by the Nordic Countries, ACOPAM (Co-operative Support for the World Food Programme) and technical cooperation programmes like COOPREFORM for updating and reform of co-operative legislation, COOPNET for networking of co-operative training institutions and INDISCO for establishing co-operative business opportunities for indigenous people

of Asia and Latin America can be found in a survey given by Fazio (Fazio 2009: 2-3).

Through its technical cooperation programmes and its technical advisory services the ILO encouraged and facilitated the establishment and development of co-operatives and took measures to enable people living in poverty or belonging to vulnerable groups to participate in the creation and development of co-operatives on a voluntary basis (UN Secretary-General's Report 2001, para. 24).

The efforts of the ILO in the field of promotion of co-operatives were summarised by a former staff member as follows (Watzlawick 2001: 18-21):

In the 1970s the ILO was confronted with negative effects of strong government influence on co-operatives, which were used for political goals, for establishing bureaucratic structures disregarding members' interests, for indirect taxation, price control etc. ILO advisers had problems when trying to prevent or reduce such negative influence, because they worked on invitation of national governments and depended on their approval.

Basic needs strategies focussing on basic needs of the rural poor influenced the work of ILO for two decades. ILO and the UN system had to prove that promotion of co-operatives was justified, despite the reproaches of UNRISD and others, that co-operatives contributed to increase the gap between the rich and the poor and to preserve old hierarchical structures.

New long-term co-operative development strategies were launched like Co-operative Enterprise Development Centres in Cameroon, Côte d'Ivoire, Tanzania, Madagascar, Swaziland and the Caribbean. Attempts to replace government services for co-operative development by management consultancy services and training often met the opposition of government officers.

In 1975 MATCOM started, initially sponsored by Swedish development aid, later by all Scandinavian countries. The aim of this programme was to define training needs in various co-operative-related professions in close collaboration with training centres and schools, train trainers and produce training materials adjusted to local needs and to improve the curricula of co-operative colleges with the aim to abandon bureaucratic approaches preferred by co-operative government departments. Generally MATCOM aimed at making training more practice-oriented.

In the 1970s, efforts were made to broaden the approach of promoting co-operatives to include co-operative-type organisations and pre-co-operatives, parallel to FAO's Peoples Participation Programme (PPP), an action programme defined by the World Conference on Agrarian Reform and Rural Development (WCARRD), promoting local self-help organisations with strong member participation and autonomy (FAO 1990; FAO 1991b).

In 1978, the largest ILO Programme for the promotion of pre-co-operatives was launched: ACOPAM (Appui coopératif aux activités de développement assistées par le Programme Alimentaire Mondial en zone Soudano-sahélienne). ACOPAM originated from the World Food Programme and was financed for 20 years by Norwegian development aid, using self-help groups like grain banks for improving food security at village level and for promotion of self-help groups of the rural poor including women's groups. ACOPAM ended after 21 years of field activities. The training methodologies and tools of this programme are still used by its partners (UN Secretary-General's Report 2001. para 23).

(b) Preparations of the revision of Recommendation No. 127 of 1966

To meet an urgent need for the ILO to update its basic policy framework as embodied in Recommendation N° 127 referring only to the developing countries, a new international standard was elaborated over several years which became ILO Recommendation N° 193 of 2002 Concerning the Promotion of Co-operatives. This new standard highlights the following issues: Universality, self-sufficiency, identity as private organisations, human resources development, appropriate legal framework, basic co-operative values and principles (Fazio 2009: 3).

In 1993, preparations were under way for a review of ILO Recommendation No. 127 of 1966 concerning the role of co-operatives in the economic and social development of the developing countries. It was felt that the recommendation, although useful and widely applied, was outdated because it reflected in some of its sections the paternalistic spirit of the colonial times.

A Meeting of Experts on Co-operatives was convened in Geneva from 29 March to 2 April 1993 to discuss how to revise the old recommendation. One of the supporting documents of this meeting was a "Review of the Impact of the Recommendation concerning the role of co-operatives in the economic and social development of the developing countries" prepared for ILO by Münkner, published in the ILO Final Report, Meeting of Experts on Co-operatives, Geneva, 29 March - 2 April 1993, Annexes, Report 1, MEOC/1993/1, Geneva 1993.

Earlier, other supporting documents were written, e.g.

- Münkner and Shah (1993): Creating a favourable climate and conditions for co-operative development in Africa, ILO, Co-operative Development, Geneva 1993;
- Taimni, K. K. (1994): Creating a favourable climate and conditions for co-operative development in Asia, Geneva 1994.

The attitude of ILO towards co-operatives at that time is reflected in the following quotations:

“The need for a conducive environment for the development of autonomous, economically viable and democratically controlled co-operatives has always been a concern for the ILO as expressed in Recommendation No. 127 of 1966 concerning the Role of Co-operatives in the Economic and Social Development of the Developing Countries. This has led the ILO to examine in some detail, under the prevailing conditions in the different regions of the developing world, the various factors which contribute to the creation of a favourable climate and conditions for co-operative development and those which inhibit them.”

Source: Jürgen von Muralt, Director, Enterprise and Co-operative Development Department, Foreword, p. iii, in: Münkner, Hans-H. and Ashish Shah: Creating a favourable climate and conditions for co-operative development in Africa, ILO, Co-operative Development, Geneva 1993.

“The ILO has been active in the field of co-operative development and promotion ever since it established a co-operative service in 1920. Besides the large number of technical assistance and technical co-operation activities of the ILO in the field of co-operatives it has also organised a number of expert meetings which offered member states an opportunity to discuss co-operative development issues. In 1966, the International Labour Conference of the ILO adopted the Recommendation No. 127 on the role of co-operatives in the economic and social development of developing countries, designed to provide governments of developing countries with guidelines for co-operative development. A first discussion of this Recommendation and its impact took place in the Meeting of Experts on Co-operatives in 1968.

A Meeting of Experts on Co-operatives was again held in Geneva from 29 March to 2 April 1993.

The objectives of the Meeting were twofold:

- *To analyse co-operative issues which are relevant for the core mandate of the ILO and to discuss strategies which could enable the ILO to strengthen its co-operative development activities in the framework of this core mandate of the ILO. This includes both the area of standard setting where Recommendation No. 127 shall be reviewed and the role of the co-operatives in addressing issues such as human resources development and employment which both belong to the core mandate of the ILO.*
- *To highlight the vast potential co-operatives and other self-help organisations possess for the economic upliftment of lower income groups and for bringing about social justice as has been emphasised by the Resolution of the UN General Assembly which approved the Report of the Secretary General to the Economic and Social Council of the United Nations on the status and role of co-operatives in the light of new economic and social trends (1992).*

The terms of reference of the Meeting as approved by the Governing Body of the ILO were to examine the impact of the Co-operatives (Developing Countries) Recommendation, 1966 (No. 127), the role of human resources development in the economic viability, efficient management and democratic control of co-operatives, as well as the role of co-operatives in the promotion of employment and income in the rural informal sectors.

“(...) there was general consensus that the Recommendation should be revised and be universally addressed to all ILO Member States in view of the changes taking place worldwide in co-operative movements. The experts stressed that the Recommendation should further strengthen co-operative movements as independent and democratic organisations.”

“The Meeting noted the importance of human resources development for the economic viability of co-operatives and that human resources development went beyond the traditional framework of co-operative education and training and included a number of other issues such as manpower and career planning. (...)”

Source: Foreword by Jürgen von Muralt, Director, Enterprise and Co-operative Development Department, Final Report, Meeting of Experts on Co-operatives, Geneva 1993, pp. i, ii, ILO (1993).

In the Decent Work Report of 1999 it is said that ILO is looking for partners in programme delivery. It mentions NGOs, business associations, trade unions and women's groups but not co-operatives (Birchall 2003: 30).

(c) ILO Recommendation No. 193 of 2002 concerning the promotion of co-operatives

ILO Recommendation No. 193 concerning the promotion of co-operatives was adopted by the International Labour Conference in 2002 to revise ILO Recommendation No. 127 of 1966 concerning the role of co-operatives in the economic and social development of the developing countries.

Recommendation No. 193 differs in several respects from Recommendation No. 127. The new recommendation is applicable to all countries. In line with the sharpened profile of ILO, Recommendation No 193 is more focussed on the core mandate of ILO to set and protect labour standards and to advocate decent work (e.g.: paragraphs 4 (a); 8 (a), (b), (d), (g); Part IV paragraphs 14-17). However, such orientation is covered by the ideological background of some types of co-operatives more than by that of others and is generally not considered to be the main concern of all co-operative organisations, although – as generally recognised in business administration – labour relations based on co-operation and participation can be seen as a precondition for business efficiency.

Many provisions contained in Recommendation No. 127 remain valid, especially those which concern the definition and description of co-operatives as well as those presenting guidelines for suitable co-operative legislation and education (Münkner 1995a), but they do not appear in Recommendation No. 193 of 2002.

When Recommendation No. 127 was written, the role of the state in promoting the development of co-operatives was seen differently, with an element of paternalism, guiding or even forcing co-operatives to contribute to the implementation of government policies and to reach goals set by government. However, the idea that co-operatives are independent and autonomous self-help organisations controlled by their members – as expressed in the ICA Principle on “Autonomy and Independence” of 1995 – was already stated in some provisions of Recommendation No. 127. In paragraphs 25 and 26 of Recommendation No. 127 it was said that mem-

bers and their elected representatives should be from the outset responsible for their co-operatives and that any aid given to them should respect the autonomy and the responsibilities of their members. Compared to this, paragraph 6 (e) of Recommendation No. 193 is more general.

When seeing ILO Recommendations as guidelines for best practice, it appears that the provisions contained in Recommendation No. 127 regarding co-operative legislation (paragraphs 10-13) and education and training (paragraphs 14-19) served this purpose better than the much more general provisions contained in scattered form in Recommendation No. 193.

- On legislation: Paragraphs 8 (2); 10 (1) and (2); 18 (d).
- On education: Paragraphs 4 (b), (c); 8 (e), (h), (k); 11 (2) (a); 16 (h); 17 (d), (g); 18 (b) (i), (ii).

Recommendation No. 193 follows a school of thought perceiving the economy as being subdivided in 3 sectors: The public sector, the private sector and a third sector (co-operative and mutual or social economy sector; paragraphs 4 (h); 6).

This way of seeing things is not universally shared. Many classify co-operative enterprises as being part of the private sector but pursuing special aims as member-oriented and user-driven organisations, in which owners and users are the same persons (principle of identity). Verhagen (1987: 17 f.) describes a different three-sector economy consisting of a profit-oriented capitalist sector, a service-oriented state sector and a service-oriented associative sector, both the capitalist sector and the associative sector being composed of a formal and an informal segment.

Between the lines, Recommendation No. 193 illustrates the dilemma (also referred to in Recommendation No. 127) that co-operatives have to respond to their members' needs (paragraph 6 (d)), if they want to attract and satisfy members. However, from their ideological base, co-operatives should also aim at responding to the social and economic needs of society (paragraph 4 (h)) and try to integrate disadvantaged groups into mainstream society (paragraph 5). Such general social orientation of co-operatives may deter rather than attract persons other than the poor to become members.

The solution of this dilemma offered by Recommendation No. 193 is to call for government support in various forms (listed in paragraphs 8 (1) and 11 (2)). In paragraph 7 (2) of Recommendation No. 193 it is suggested that *"governments should introduce support measures, where appropriate, for the activities of co-operatives that meet specific social and public*

policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions”. This repeats the mistakes criticised in Recommendation No. 127, namely turning co-operatives into instruments for the implementation of government policies, usually without lasting success, if any.

Furthermore, Recommendation No. 193 sees co-operatives as a means of formalising the activities in the informal sector of the economy and of transforming informal work into decent work (paragraph 9). This leaves co-operatives with a task which they will be unable to fulfil.

Such ideological burden together with strong emphasis on the role of co-operatives in creating employment and offering decent work distinguishes Recommendation No. 193 from Recommendation No. 127.

In contrast, the UN Guidelines of 2001 aimed at creating a supportive environment for the development of co-operatives, are more focussed on co-operative issues, are more concrete and less ideological.

ILO recognises the need for governments to provide a supportive framework for co-operative development, co-operatives being autonomous associations of persons that have their own values and principles (Birchall 2003: 17).

Rather than promoting co-operatives as development tools, members of co-operatives should be given assistance to create income generating activities, gain access to markets, to improve their social and economic well-being, while respecting their autonomy. But offers of government support remain tempting and may have the effect of replacing members' own efforts and resource commitment.

During the last decades, the co-operative department being the oldest department of ILO, dating back to the 1920s, has gradually been reduced to a branch with only a skeleton staff. A number of successful special programmes for the promotion of co-operatives like ACOPAM, COOPREFORM, and COOPNET have been phased out. Other programmes like INDISCO and LED (Local Economy Development Programme) are continued (Birchall 2004: 41).

(e) New focus on decent work

The new ILO policy is to organise its activities around the theme of “decent work” having four strategic objectives (Birchall 2004: 39):

- Promoting rights at work,

- increasing employment and income,
- extending social protection and
- strengthening social dialogue.

For the ILO under its new orientation, co-operatives are of interest mainly with regard to their potential in relation to each of these objectives. Former very successful programmes with strong anti-poverty effects like “Food for Work” were phased out.

This new policy directs the interest of ILO especially to workers’ productive co-operatives and labour contracting co-operatives (Louis 1982) which are a relatively small segment in the total spectrum of co-operative societies. Service co-operatives, drawing their membership from independent entrepreneurs and potential or actual employers (farmers, craftsmen, traders, service providers and liberal professions) are mainly interested in promoting the individual businesses and income of their members. They are aware of the importance of favourable working conditions for the efficiency of the co-operative enterprise and members’ enterprises, but see this more as a means to reach their objective rather than as an objective of their organisations.

From the ILO perspective, the value of co-operatives is seen in their ability to work at local level and to include the poor in their own economic development (Birchall 2004: 40). ILO supports associative approaches (addressing the poor in groups, Verhagen 1980: 5), to develop local economies, to improve local conditions and to increase the incomes of the rural poor. Whether this can be done by formalising the informal economy (Birchall 2004: 40) and by respecting labour standards – which means less flexibility and increased cost – as assumed by ILO, is an open question. Where informal enterprises are formalised, they often lose their competitive advantage and new informal enterprises will spring up to take their place.

According to the ILO Director-General’s Report 2003 “*work is the best way out of poverty*” (Birchall 2004: 40) and co-operatives are seen as ideal instruments and the key organisational form to build new models to bring the losers in global competition back into the game, to combat social exclusion and poverty. The ILO has long drawn on this model – offering a tailor-made holistic strategy for developing a local area based on participation and dialogue, mobilisation of local resources and local ownership. However, in many cases during the start-up phase such co-operatives can only survive, if members and workers make sacrifices even to the extent of self-exploitation. This is quite different from what many understand by “*decent work*”.

ILO propagates the development of co-operatives for the poor, by using tools like provision of finance, business development services, infrastructure investment, marketing of the attractions of the area, networking with public and private agencies and coordination of local resources.

Success of such strategies will largely depend on the approach taken:

- Concentration on creating the minimum requirements for co-operative development among the rural poor, allowing the poor to decide for themselves if they want to work in groups, what form of organisation they want to choose, what activities they want to undertake and how much of their resources they want to commit (i.e. the slow and cumbersome way with uncertain results); or
- trying to guide the rural poor to join organisations formed for them with external support (a way to show quicker results which, however, may not be sustainable).

The modest role of the remaining small number of co-operative specialists in ILO is not reflected in the Foreword to the ILO publication by Johnston Birchall (2004): Co-operatives and the Millennium Development Goals:

“The Co-operative Branch and the Policy Integration Department of the International Labour Office (ILO) and the Committee for the Promotion and Advancement of Co-operatives (COPAC) are pleased to jointly publish this book that highlights the accomplishments of co-operatives both in the so-called developed and developing economies. Dr. Birchall shows both conceptually and practically that co-operatives can be, and are, thriving enterprises which contribute in significant ways to reducing poverty, promoting gender equality, providing health care services, tackling the HIV/AIDS pandemic, ensuring environmental sustainability and working through partnerships with a wide range of actors. However, this study also shows that co-operatives are not yet involved as fully as they could be in the formulation and implementation of the Poverty Reduction Strategy Papers. Thus, efforts are still required by multi- and bilateral agencies, governments, and civil society to ensure that people-centred, self-help enterprises – co-operatives – have an opportunity to participate fully in the development process.”

Source: Azital Berar-Awad, Jürgen Schwettmann and Maria-Elena Chavez Hertig: Foreword to Johnston Birchall (2004): Co-operatives and the Millennium Development Goals, ILO, Geneva 2004, p. iii.

In 2004, a Memorandum of understanding between the ILO and ICA was signed by the ILO Director-General and the ICA President in order to further the existing cooperation and partnership between ILO and ICA in the area of promoting and strengthening of co-operatives under the title

“Cooperating out of poverty” = Coop (Göler von Ravensburg 2007: 787).

Summing up the changes that occurred in ILO’s attitude towards co-operative development, the following picture emerges: From its very beginning in the 1920s, promoting co-operative development has been a major concern of ILO. During the 1960s and 1970s, when in many countries of Africa and Asia to promote development of co-operatives was high on the agenda, ILO organised and implemented a good number of projects together with partners of different co-operative and general development organizations, mainly from Scandinavian countries. Many co-operative specialists were working for ILO, programmes were designed and textbooks, guides and recommendations were written and published.

Under a new Director General ILO was re-oriented to concentrate on norm-setting in its principal field of labour and labour relations to propagate “decent work” and to stop working as technical aid agency, organising and executing projects (e.g. food for work). Most of the successful co-operative projects were phased out and the staff of the co-operative branch was gradually reduced to the current small size.

The new ILO Recommendation No. 193 of 2002 on the promotion of co-operatives reflects this trend. Compared with ILO Recommendation 127 of 1966, only directed to developing countries, Recommendation 193 applies worldwide, but strongly emphasises to need to improve labour relations as part of co-operative development, although service co-operatives, in which employees are recruited staff and work under general labour law, are the vast majority of existing co-operative societies. In service co-operatives, to improve the labour relations with their staff is important but not the main concern of co-operative management. Workers’ productive co-operatives, in which labour matters are a central issue and in which special labour relations prevail due to the fact that employers and workers are largely the same people (collectives or self-managed enterprises) exist only in relatively small numbers.

In this way, ILO follows the general trend among international and bilateral development organisations to give promotion of co-operatives a relatively low priority in their programmes.

6 Fighting Poverty by Reorienting Development Policy

In his recent publication with the title *“Overcoming Poverty by social market economy and appropriate technology, design of a strategy for developing countries”*, Braun (2010) proposes a radical change of current development policies.

He pleads for giving first priority to employment rather than to growth with the hope that the trickle down effect will work which in practice has rarely happened.

He defines social market economy with reference to Ludwig Erhard as follows:

“The state should not interfere with my own affairs but give me sufficient freedom and allow me to retain enough income from the fruit of my work to shape my existence and that of my family on my own” (quoted in Braun 2010: 61, translation by the author).

The **basic elements of a social market economy** which the state has to provide are:

- A stable currency,
- fair competition,
- autonomy in price fixing,
- freedom of choice for the consumer,
- freedom of exercising economic activity, and
- protected property rights.

Where these elements are not present and secured, and an economic and social infrastructure is missing, development is blocked. Braun sees three functions for the state in developing countries: To implement a social market economy, to develop an economic and social infrastructure and to secure sufficient revenue for the state to finance its operations (Braun 2010: 6 f.).

The second pillar on which his new anti-poverty development strategy is built is **“appropriate technology”**.

In countries where labour is abundant and capital is scarce, and where creation of employment is given priority over growth, appropriate technology means a technology that is labour intensive rather than capital intensive. However, to find new, modern appropriate technology is difficult, because – due to lack of demand – technicians in the industrialised countries are not interested in investing in the development of new appropri-

ate (labour intensive) technologies. Focus is on developing highly productive technologies which are usually capital intensive. But there is old, less capital intensive technology e. g. in agriculture that was widely used in Europe 50 years ago and is still used in some regions until today. To opt for such “old” technology is a political question (Braun 2010: 39, 40).

If the proposed new development policy would be adopted, this would mean a complete revision of development aid including a strong role for co-operative self-help (Braun 2010: 120 f., 160, 162). Braun sees a problem in the “*Pro-Poor-Growth strategy*” because it is still aiming at promoting growth rather than employment (Braun 2010:21).

Focus is on creating **better infrastructure**:

- Improved social infrastructure means better quality of life for the individuals,
- improved economic infrastructure means better chances to increase productivity even of small and mid-sized enterprises,
- improved material infrastructure in the rural areas (water supply and sewage, energy, transport, storage capacity, communication, schools, hospitals) means better chances for development and less rural-urban migration, caused among other things by placing wrong emphasis in development policy on urban areas and industry and by mistakes made in agricultural policy (Braun 2010: 101, 104, 121 f.).

Investment in infrastructure and use of appropriate technology means creating employment and encouraging the growth of local crafts and trade.

After the neo-liberal approaches to development in official development assistance setting on growth with trickle down effects reaching the poor have shown disappointing results, new approaches were launched by the World Bank with its **Poverty Reduction Strategy Programme** (PRSP) aiming at including civil society at the cost of by-passing the parliament of the recipient country (Braun 2010: 235 f.) and by the US Government with the **Millennium Challenge Account** (MCA) (Braun 2010: 238, 242).

In a nutshell the **main elements of PRSPs** are the following:

- Describe the poverty profile of the recipient country,
- lay down the objectives of the proposed PRS measures,
- designing a plan for monitoring and evaluation of the PRSP, and
- describe the participatory process in which the PRSPs are developed, naming the partners and interest groups of civil society to be involved and their role in developing the PRSP.

(Braun 2010: 232 f. quoting from the World Bank: Source Book on Poverty Reduction Strategies).

In 2004, the US Government launched a new programme under the title **“Millennium Challenge Account”** (MCA) as an alternative to Official Development Assistance (ODA) (Braun 2010: 237 f.). MCA is a special fund established parallel to US-AID. It serves to fight poverty and to promote growth in low-income countries (with an average daily income of less than 1.5 US\$ per capita) and since 2006 also for lower-middle-income countries (with an average daily income of less than 3 US\$ per capita). To qualify for the programme, the recipient country has to prove that it practices good government (ruling justly), invests in education and health of its population (investing in people) and maintains an operating market economy (economic freedom). Furthermore, the framework conditions in the country must allow successful implementation of the programme. Applicants for assistance from the MCA are selected with the help of 17 objective criteria in the above mentioned fields, measured by indicators developed by the World Bank, IMF, WHO and others. To qualify for the programme at least half of the criteria in the different fields have to be fulfilled. The indicator *“corruption”* is given special weight. In this way developing countries enter into competition for receiving MCA funds (Braun 2010: 238).

Eligible countries are invited to submit proposals for a national MCA-concept being designed with participation of government, civil society, the business community, the media and international partners. If the concept is accepted, a 4-years contract (*“compact”*) is made, laying down the responsibilities of all partners.

According to MCA philosophy, the MCA programmes have to be executed by the recipient countries in their own responsibility. They have to offer a maximum of accountability and transparency. The Millennium Challenge Corporation (MCC) expects each recipient country to

- formulate clear goals and bench marks to be respected,
- offer a clear and transparent financial management,
- define criteria and indicators for measuring success of the programme,
- evaluate the effects of the programme on the poor.

If the intermediate goals are not reached, the programme can be suspended or stopped.

MCA-funds are offered as grants with no strings attached. They can be spent in the way the recipients decide.

In 2009, “*compacts*” were had been with 19 developing countries, covering a total sum of 6.9 billion US\$ (Braun 2010: 239). The main fields promoted are rural development including surveying and registration of land, financial services in rural areas and marketing facilities for small enterprises.

According to Braun (2010:241), the new approach of PRS shows improvements as compared to conventional ODA. It allows participation of all parties concerned, avoids concentration on the public sector and industrialisation, promotes programmes rather than projects and is oriented to long-term, sustainable development.

However, some weaknesses also remain: there is danger to use capital-intensive technology, direct measures to fight poverty may cause expenses without generating income, long-term soft loans may encourage growing debt. Participation of civil society in planning may put pressure on Governments to deal with short-term problems and deficiencies in rural areas and among the poor, but the general problems usually remain unsolved.

The Millennium Challenge Account avoids almost all weaknesses of conventional ODA and is a good step forward.

The new approach to development policy to reduce poverty in developing countries proposed by Braun (2010) adds valuable components: The **focus on employment creation** and **emphasis on establishing a social market economy**, setting limits for financial capitalism and anonymous investors while granting individuals economic freedom and protection of their basic social and economic rights. Such new orientation of development policy allows attacking the roots of poverty by counting primarily on self-help and better use of available resources. Such policy leaves ample room for all kinds of local self-help organisations including co-operative societies and creates a favourable environment for development from below and for knowledge sharing among local and external actors.

7 Conclusions

Reduction of rural poverty is an uncontested goal of all development agencies. It has also been commonly accepted that sustainable development in favour of the rural poor can only be achieved by involving the rural poor in their own development, by giving them access to knowledge, resources, income, markets and credit, by helping them to improve their self-help capacity and by creating favourable framework conditions in which the poor can work themselves out of poverty.

This can be achieved best by increasing their productivity and by encouraging them to work together in local organisations, by strengthening their marketing and claim-making power and generally by improving their opportunities and their risk-taking capacity.

It remains vague, which role co-operatives can play in this development policy. While it is generally agreed in theory that genuine co-operatives have to be self-help organisations of their members and that co-operatives work best when left to develop according to their own values, principles and practices, this theoretical understanding has not always reached implementation level.

In theory it is widely accepted that external aid may strengthen or speed up own efforts but should not replace self-help. Fighting poverty should not create dependence on donors of external aid. What is less clear is that development aid is not primarily a question of give and take and of transfer of resources (Braun 2010: 24). Yet, in German development co-operation the element of grant accounts for 86 % (Braun 2010: 205).

In a resolution passed by a Co-operative Ministers' Conference in Beijing organised by the ICA Regional Office for Asia and the Pacific in 1999, the role of co-operatives was expressed very clearly: *"Co-operatives contribute their best to society when they are true to their nature as autonomous, member-controlled institutions, and when they remain true to their values and principles (autonomy and independence)"* (ICA ROAP 1999: 6; see also UN Guidelines 2001, par. 1-8).

During the 1970s, it became evident that state-controlled pseudo-co-operatives did not help the poor, as was intended and expected, but rather ended in failure and loss of large sums of public funds or reinforced existing inequalities. This led to the prejudice in the heads of many development planners and politicians that co-operatives are not suited to reduce poverty but rather contribute to increase the gap between the rich and the poor by allowing the better-off to work themselves out of poverty by co-operating, leaving the poor behind. It was agreed that the poor are

the losers in times of rapid change, unable to cope with changing conditions and structures, that poverty reduction has to start at the grass roots level, that development starts in the heads of the poor and that, accordingly, investment in human resources development is the best way to reduce poverty. It was accepted that local organisations of the poor must play a key role in this process. It is also obvious that such local organisations usually have all the characteristics of co-operative societies.

But there is still lack of a clear vision of how co-operatives work, what are the preconditions for their success and what role external aid to co-operatives can play. International aid agencies are still hesitant to promote co-operatives and to make use of the vast experience of 150 years of co-operative self-help among the poor for designing their own programmes and projects. The reputation of co-operatives is still suffering from the legacy of past experience of state controlled co-operatives. According to Göler von Ravensburg, today hardly any German organisation for development co-operation has a specialist for co-operative development on its pay-roll, despite the fact that in times of globalisation, liberalisation of markets and growing conflicts over resources the potential of co-operative self-help is seen as considerable by organisations like FAO and ILO as well as by NGOs operating in development co-operation and by international research institutes (Göler von Ravensburg 2007: 744).

As mentioned before, it is important to keep in mind that co-operatives are autonomous associations of persons, designed to meet their members' needs – not the needs of others, and that the concept of using co-operatives as development tools in the hands of government with the task to implement government's plans is wrong (Birchall 2004, 6, 19).

However, this idea is still reflected in many official texts and programmes, e.g. in the Chinese Farmer Professional Co-operatives Law, 2006, passed by the 24th Sessions of the 10th National People's Congress on October 31, 2006, unofficial translation as shown in Box 10.

Much work remains to be done to convince development planners, policy makers and legislators that genuine co-operatives can be partners in development, once they exist, but need independence in goal-setting and management to mobilise their members' resources for local development and for improving the economic and social conditions of their members by organised self-help. Birchall's new paradigm that "*members have co-operatives*" (Birchall 2003: 12-13), means that it will be necessary to build the man or woman before building the co-operative. This has been clearly laid down in the ICA Statement of Co-operative Identity of 1995, in the UN Guidelines of 2001 and in ILO recommendation n° 193 of 2002.

**Box 10: Quotations from the Chinese Farmer Professional
Co-operatives Law, 2006 (unofficial translation)**

Part II Incorporation and Registration

Section 2

Co-operatives are self-help organizations which are associated voluntarily and controlled by producers of same agricultural products or service providers and users of same agricultural business operations. The farmer Co-operatives are based on the rural household contract system.

Farmer Co-operatives focus on the needs of their members, which includes the purchase of agricultural inputs, marketing, processing, transportation, storage of agricultural products and provision of information and technologies.

Section 8

The State will facilitate the development of Co-operatives by providing financial support, tax breaks, banking services, technical assistance, human development and direction of industrial policies.

The State encourages civil society to provide services to farmer Co-operatives.

Part VII Support Policy

Section 49

The State can entrust farmer Co-operatives to implement rural and agricultural development projects.

Section 50

The central and local governments shall provide funding to support Co-operative's activities such as information, training, quality standard and certification of agro-products, agricultural facilities, marketing and extension. Preferential treatment will be given to Co-operatives who are running in ethnic minorities' area, remote area and poor area and those who are producing products which are urgently needed by the state and civil society.

Section 51

The State policy financial institutions shall provide various sources of funding to farmer Co-operatives. The specific policies will be made by the State Council.

Today, we have to deal with a paradoxical situation: Not every organisation that is called a co-operative really works according to co-operative principles. Many state-controlled pseudo-co-operatives consume lots of public funds not only without positive results but even with negative effects, creating passive beneficiary mentality and dependency or directing subsidies into the wrong pockets. On the other hand, many local self-help organisations like farmers' organisations, farmer owned businesses, pro-

ducer groups and community associations operate like co-operatives and have the same beneficial effects, but are not recognised as co-operatives.

The role of co-operatives for rural development and poverty reduction is that of innovators, of change agents meaning that organised in self-help groups as the losers of rapid change can improve their own chances to learn how to cope with the challenges of the changing environment, to generate new, locally adjusted knowledge by knowledge-sharing with external development entrepreneurs, to experience the positive effects of organised self-help and group solidarity for improving their own economic and social conditions and to catch up with more advanced competitors by learning from the future.

Here lies the key to success of co-operatives: co-operation must result in visible and tangible benefits for the co-operators themselves. It must make sense to be a member. It is unrealistic to believe that poor farmers will make efforts and commit their limited resources to reach goals, which are not theirs but which were set for them by others.

To conclude, three major reasons can be mentioned, why co-operatives can play an important role in poverty reduction.

1. Co-operatives can serve as a means to generate wealth among the poor. The poor, who take the initiative to form or join co-operatives to work themselves out of poverty, become richer, leaving those unable or unwilling to co-operate, behind.
2. Co-operatives are open to new members as a matter of principle, provided that the new members are able and willing to make (even small) contributions, that they are willing to submit themselves to voluntary group discipline and to learn the rules of co-operation.
3. Co-operatives can reach down further to the poor than any other business organisation, because they can start small and with a minimum initial capital, they can be officially recognised and registered as legal bodies and be protected by the law, without high cost and expensive formation procedures.

Why is it so difficult to convince development agencies of the benefit of promoting co-operative development as one way of poverty reduction?

There is a rare opportunity to learn, how an insider evaluates his own work in ILO during the 1960s to the 1980s. Watzlawick, who started his career in the co-operative department of ILO and later was in charge of the Food for Work Programme, gives a detailed account of the work of ILO in co-operative development under the heading "Late acknowledgements with the benefit of hindsight" (Watzlawick 2001: 22).

He identifies the following problem areas, with which the ILO specialist – and most likely the co-operative specialists of all the other development agencies – had to cope and which illustrate the problems of co-operative advisers working in development aid and technical assistance:

- Overconfidence in the importance of central institutions for the development of co-operatives; too little attention given to the problems of a sound membership base. Emphasis on member education in theory and in many documents but insufficient efforts in practice, hoping that the ICA would do the job.
- Talking about added value by programmes for the promotion of co-operatives, but failure to analyse, who were the beneficiaries of newly created wealth. Underestimating the negative influence of old social structures and of local leaders elected from among the members, having a monopoly regarding the services of co-operatives, overlooking the need to build up a legal and organisational system of checks and balances in favour of ordinary members.
- Talking about the contributions of co-operatives to help the disadvantaged groups without recognising that substantial redistribution could only be achieved by macro-economic intervention and substantial transfer of resources.
- We (the ILO collaborators in the co-operative department) complained about the “*function syndrome*” of external development promoters, whose permanent budget problems overshadowed their main task to help to solve the problems of co-operatives, neglecting the need to develop client-employed extension services (i.e. promoters employed by co-operatives and co-operative federations) for solving special problems.
- We did not try often enough to make use of obvious or predictable market opportunities (e.g. supply of the rapidly growing urban areas with food).
- The limits of ILO’s role as catalyser, helping others to help themselves, were not analysed sufficiently. Our project-oriented evaluation system based on UNDP standards proved to be insufficient.

We were continuously confronted with symptoms of failure. However, the pressure of day-to-day work left too little time to define and analyse problems in depth and to correct mistakes more quickly. Despite the large gap between high-flying goals and modest success we never lost faith in our mission, thanks to our philosophy of constructive pessimism developed over the years.

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Annex I

ICA: The Loughborough Statement, 1977

Text approved at the Consultation for distribution as an Interim Report summarising the findings and conclusions of the assembled experts

1. The pace of economic and social progress in most developing countries remains discouragingly slow. The moderate expectations of UN Development Decades fail to materialise. Most of the strategies evolved to achieve a rapid and steady improvement in the living conditions of the under-privileged are therefore increasingly challenging.

2. The co-operative approach – so widely and almost universally endorsed some years ago – is among the targets of critics. Unqualified praise and excessive confidence have given way to disparagement and condemnation.

3. Two major factors have contributed to the new attention being paid to the poor: first, the realisation that growth did not benefit those who are most in need of improved living conditions; and secondly the fact that some systems were actually evolved that specifically aimed at the eradication of poverty. Furthermore, planning also required a new definition of the objectives and functions of all economic agents, including co-operatives.

4. Following intense debate in the UN and other world forums the UN Secretary General, in his most recent report on co-operatives in development, proposed that an expert group be held to – *“assess the problems connected with the participation of the poor in the Co-operative Movement ... (and) ... to recommend appropriate strategies and programmes”*.

5. The Loughborough Consultation was convened in the light of that challenge. It addressed itself to the three following questions formulated by the convenors –

- (a) Are the social and economic objectives of co-operatives, their mode of operation and structure, appropriate and responsive to the problems of poverty and social reforms in developing countries?
- (b) Under what conditions can co-operatives be effective agents of structural reform?
- (c) To what extent and in what manner do governments facilitate or impede the efforts of co-operatives to combat poverty and introduce social and/or structural reforms?

Co-operatives

6. To answer these and related questions it was necessary to agree on a working definition of “co-operative”. Some are inclined to exclude from consideration any organisation which, though calling itself a co-operative, is in fact controlled by government officials. According to this view, many of the co-operatives which had failed belonged to this category of pseudo-co-operatives. Others pointed out that with this approach little or no guidance was given to those who had to take decisions involving co-operatives or similar associations.

7. The prevailing view is that it would be vain to seek a universally agreed definition and that what is essential is not the name but the functionality of the association in relation to its declared objectives. There were instances in which co-operatives conforming to the usual principles were not serving the poor, or only serving them incidentally, while others clearly imposed by government were taking practical measures to reduce inequalities. Co-operatives, like other institutions, are constantly evolving and should not be seen in too short term perspective.

8. The experts agreed that in defining co-operatives it would be useful to consider these institutions as falling along a *continuum* where the “ideal type” may be at one end and the state-directed at the other. Most experts, while accepting the helpful concept of a continuum and the criterion of usefulness especially with respect to services to the poor, stress two indispensable precautions. The first is the necessity to draw the line somewhere below which an institution cannot be known under the name of co-operative. The second is that a clear orientation and objective of any ‘co-operative’ undertaking should be to move along the continuum in the direction of social equity, democratic control, self-reliance and independent leadership within the area defined by the law of the country. State enterprises and co-operative enterprises should, in all phases of the process, be identified as such.

The Poor

9. Although a clear cut definition of the concept of poverty is an ever elusive objective, it is obviously impossible to deal with these problems without some understanding of the meaning of the words “the poor”.

10. The first yardstick is that of basic needs – for example, food and shelter for survival. But it is clear that the poverty line differs according to the level of economic and social development achieved in each country. Similarly the poverty line in the same country shifts over time as its devel-

opment progresses. The concept of relative poverty, both nationally and internationally, is also clearly relevant.

11. When thinking of 'the poor' one must rather refer to their under-privileged position and to their helplessness which preclude their active and fruitful participation in community life. The poor are those who are not benefiting from economic and social change. Subjected to disabilities caused by the system, they are precluded from contributing to it or securing through their labour an acceptable standard of living.

12. What emerges from a careful examination of the predominance of poverty is the great diversity of its forms and of its causes. With reference to the developing countries it is thus essential to distinguish between societies with great income disparities and the large communities of poor people (of which subsistence farmers are instances). Different strategies are required to cope with their respective problems.

13. It is also important to probe the causes of poverty. Some communities suffer from a fundamental lack of natural resources, others have been impoverished by the inroads of capitalistic economy or by the encroachment of single-crop export farming.

Co-operatives' potential

14. Two highly qualified consultants of international repute presented papers on the problem.

15. One speaking 'from within the Co-operative Movement' recorded fundamental ideas of human beings wishing to concert in pursuit of common aims, including education and training, and performing without undue government intervention. This remained the best approach to global development.

16. The second consultant, drawing from a thorough scrutiny of various experiences in developing countries, observed that within co-operative movements decentralisation (the self-government of local societies) and equity are frequently difficult to reconcile owing to the existing power structure. Similarly given the resource intensity for reaching the poor, the objective of distribution is not always consistent with that of efficient resource use and growth. A conscious decision is therefore needed on the part of the governments to direct the necessary resources if the poor are to be reached. Even with such allocation of resources to them, it is not clear if co-operatives are, by themselves, likely to be motivated to direct the resources to the poor. In any case government investment is necessary in technology, infrastructure development, market information, train-

ing and management skills if co-operatives are to be effective in improving the productivity of the poor. Frequently institutional reform may also be critical to change the socio-political structure that so frequently gets in the way of reaching the poor.

17. Many instances exist however of co-operatives in developing countries that helped significantly their poorer members. Co-operative philosophy and theory are imbued with respect and concern for the poor. Indeed the original proponents and promoters of co-operatives were themselves poor people seeking a self-help solution for their problems.

18. On the other hand, co-operation – economic democracy in action – is not an aid-giving agency. Efficiency requires rigour in management. That hard-headed rule may become unfair however, where an elite, already favoured with physical and cultural assets, exerts its leadership and control in co-operative societies.

19. Substantive structural and political reforms are overdue wherever such tendencies prevail. Co-operatives are unlikely to achieve their full potential for service to the poor in a feudal environment. Many experts believe that, within such a power structure, many other institutions are also unlikely to succeed.

When a genuine co-operative spirit prevails – which excludes undue advantage being taken of positions of leadership – co-operatives can and do prove instrumental for the improvement of the poor people's conditions. Among functions which they can usefully perform for the poor are:

- developing economies of scale;
- generating bargaining power;
- distributing risks;
- giving access to technology and to management skills;
- favouring exploitation of local resources and talents including handicrafts;
- breaking the isolation of the poor.

21. Few institutions offer such a range of opportunities, together with the full status of a co-equal member. These historical advantages are not materialising everywhere. The co-operative formula has its potential risks (complacency, lack of self-reliance, crystallisation of village hierarchies ...). Above all few co-operatives correspond to the ideal model.

22. But the social benefits of a co-operative at work – albeit imperfect – spread beyond the confines of the societies and their membership. Fair and openly posted prices and access to credit do change the economic

environment of the poor, they pave the way for a healthy transition to a commercial economy. The emergence of an authentic local co-operative leadership may also help to shift centres of power and decision from urban to rural areas.

23. Many conditions are required to start or develop co-operatives, many factors condition their growth. In assessing the chances, local history, economic conditions, governmental attitudes, community traditions must be taken into account. Serving manifest needs, in particular creating new employment opportunities, is one of the fundamental bases of co-operative initiatives.

24. Two main sets of problems emerge from examination of the potential role of co-operation in fighting poverty: are the poor better served by co-operatives of their own and, where the answer is negative, how can mixed membership co-operatives reach the poor and serve their particular needs?

25. On the first point the experts' consensus is that, generally, the need to achieve through extended membership, the desired economies of scale and the risk of perpetuating segregation militate against setting up co-operatives for the poor, even though they may thus be deprived of opportunities to generate leadership. But that rule has many exceptions, in particular where the poor people concerned democratically want to set up their own societies; where the co-operative initiative is linked to specific development projects (land, forestry); where structural differentiation is great; where clear-cut categories are concerned; where services especially for homemakers are provided. Furthermore in a great many rural communities the question does not arise because there are only 'poor' people.

26. The second and much broader set of problems is that of maximising the reach and services of co-operatives to the poorer sections of the population. It is clear that serving a large number of poor members whose individual transactions with the co-operative are small entails relatively high costs. Also many services required by the poor impose a burden on the whole membership. There is thus a risk that management will be biased against the poorer members. A clear formulation of policy and guidelines is essential to establish safeguards against such abuses.

27. Redistribution from richer members to poorer members within a society has its limits: if the comparatively richer members do not remain prosperous then that resource will disappear, and if that burden is 'unbearable', they will opt out. If redistribution of benefits within individual co-operative organisations has thus to be rather limited, the governments will have to play a leading role in securing resources to bear these costs.

The extent to which that will be possible will depend on the nature of the political system and the degree of national will in individual countries.

Structural Reform

28. To be effective agents of structural reform co-operatives must first of all be able to operate effectively. Conditions exist where it is unrealistic to expect success. On the other hand co-operatives can be instruments of liberation given a culture receptive to group action, awareness of opportunities, a reasonable network of communication and a degree of homogeneity in the needs of members.

29. The need for a legislative background allowing for flexibility with adjustments over time and for an easy transition from governmental to members' control as soon as appropriate is universally agreed. Adjustments in legislation from time to time are equally desirable. There is also a consensus on the involvement of co-operatives in evolving and reflecting national and community development planning which should put in the forefront the participation and economic and social uplift of the poor. Government goodwill, assistance and support being essential if co-operatives are to reach and serve the poor more adequately, attention must be paid to the ways and means of pursuing these policies.

30. But to better serve the poor, co-operatives must above all review their internal policies and, whenever necessary, adjust them to the requirements of an enlarged spectrum of members. While the limitations within which they operate restrict their ability to redistribute resources among members, there is always room for improvement in the procedures of allocating loans, fixing interest rates and terms of repayment, differentially pricing purchases or sales – all of which can usually be used to benefit the poor.

31. Among the institutions which are, to varying degrees, likely to impede successful co-operative action for the benefit of the poor, experts identify the following main ones:

- patterns of land tenure precluding access to viable holdings and to creditworthiness;
- monopoly in the private sector (moneylenders, traders) leading to unsustainable competition for co-operatives;
- encroachment of state companies depriving peasants of their livelihood.

32. Conversely a number of institutions can and do assist co-operatives in their endeavour to reach and serve the poor:

- co-operative ministries and departments;
- producers' marketing boards;
- university research and advisory services.

Government

33. A most decisive factor in assisting co-operative efforts in the direction of the poor remains the attitude, the political will, of the government. Only the government can through its fiscal, budgetary or other policies achieve transfers of resources of the required order of magnitude from the rich to the poor. Only the government and the local authorities can provide the environment in infrastructure, services, sources of supply, etc., without which co-operatives cannot be expected to 'take off'. Only they can enforce rules safeguarding the rights of the poor in the allocation of scarce resources and support the development of new technologies applicable by marginal farmers.

34. Directions can be identified where government intervention is potentially an impediment rather than a help: throwing irrelevant or over-burdening tasks on co-operatives, pressing hard for too rapid expansion, distracting co-operatives from their tasks. Conversely government influence and resources are best used to create a favourable milieu, ensure adequate representation of and services for the poor, giving incentives to government officials to promote a sound evolution of co-operatives in the direction of self-reliance and self-government, etc.

Education

35. Education is perhaps the most essential ingredient in co-operative development. Regarding the task of reaching the poor and meeting their needs, the role of co-operative education and training is paramount. The first and foremost necessity is to make sure that managerial cadres are kept constantly aware of their responsibilities in that respect and to prepare them for new forms of action. Expanding membership and activities to poorer sections of the community must be considered as both a challenge and an opportunity – as a new form of growth.

36. Managerial and leadership skills at all levels need to be raised especially by formal and practical education. The higher class of management must evolve methods which facilitate the task of their subordinates. The pursuit of objectives broader than business achievement, extending to the

improvement of the poorer members' living conditions and way of life, must become part of their brief.

37. Adult education is a key component in co-operative education programmes and is particularly relevant in the case of poor people. There is also need to greatly improve and widen the ability of societies' secretaries, particularly at village level, to grasp the real meaning of their work (for example in the field of farm requisites supply).

38. The availability of teaching aids and materials is often a bottleneck. Much is being done at national and international level to improve the situation but little which is of direct relevance to the specific problems of the poor. ICA's Co-operative Education Materials Advisory Service (CEMAS) is a useful instrument which could be used to this end.

39. Beyond members and staff, co-operative education must also reach many categories of the public (educators, mass media, politicians, trade unions, youth, women, businessmen). Ignorance and widespread misconceptions and misunderstandings regarding the role of co-operatives in eradicating or alleviating poverty must be dispelled. Furthermore member, staff and broader education should more often use local languages.

40. Such efforts can only be successful if they are backed up by an adjustment of co-operative theory to changing circumstances and trends (incorporating for instance the concept of social profitability); by the integration of co-operation in the curricula of higher studies; by the inclusion of co-operative policies in the social sciences. To that end the establishment of chairs of co-operation at leading universities and close working relationships between their Economy, Sociology and Business departments and the co-operative leadership, particularly in the field of research, is overdue.

International Assistance

41. There is considerable room for improvement in the quantity and effectiveness of international assistance for co-operative development, particularly as regards its relevance to the situation of the poorest. With a few notable exceptions the assistance given by the co-operative movements in the richer countries has not been particularly generous, while that given by governments to other governments, though necessary, is not ideally suited to the promotion of participatory people's organisations. International trade policies remain adverse to developing countries and impair the ability of co-operatives to promote the interests of their members, including the poor.

42. Basically, international co-operative assistance should be such as to encourage small farmers and other underprivileged groups to analyse their own problems and to enable them to realise the potential of joint action. Among measures which might be taken to render international assistance more productive, experts note the following:

- concentration of aid in the poorest countries;
- inclusion in aid agreements of clauses to ensure that co-operative projects benefit the poorest sectors of the population;
- greater collaboration in technical assistance among the developing countries;
- wider use of versatile generalists rather than high-level specialists;
- greater reliance on local universities and institutes in the developing countries for research and project implementation;
- recruitment of practical farmers and fishermen for technical assistance assignments with co-operatives;
- introduction of simplified book-keeping systems;
- fuller use of inconvertible currencies.

43. Both multilateral and bilateral external aid can be effective in co-operative assistance programmes, especially under conditions where the external assistance can be directed to the co-operative institutions being assisted without local government interference. Donor countries government and Less Developed Countries (LDCs) government involvement, however, may be necessary in both multilateral and bilateral external aid programmes. International governmental agencies, such as ILO, FAO and UNESCO are usually required to channel external aid through the LDC governments.

44. The work of these international organisations makes a valuable contribution to the promoting of sound co-operatives. Increasing use should be made of the facilities offered by the Joint Committee for the Promotion of Aid to Co-operatives (COPAC) as a neutral forum where international governmental organisations and international voluntary organisations meet regularly to exchange policies and programmes in the area of co-operatives and to coordinate their action wherever possible.

45. The work of bilateral governmental organisations makes a valuable contribution to the promotion of sound co-operatives especially when they collaborate with their respective national co-operative organisations in planning and implementing co-operative development programmes. Such arrangements provide better opportunity for 'co-operative to co-operative' assistance.

46. Increasing use should be made of combined bilateral programmes and such consortium and other bilateral efforts should make use of ICA facilities for identification of co-operative development opportunities and dissemination of information through the research and education programmes of the ICA Regional Offices.

Summary and Conclusions

Poverty is as diverse as it is widespread in the developing world. Identifying its root causes in each geographical area is a prerequisite for policy making (pars. 12, 13). Circumstances exist which are inimical to co-operative success (par. 31).

Co-operative institutions of developing countries often fail to conform strictly to rigid conceptual norms. While it is imperative to refrain from classing state enterprises as co-operative societies, it is also advisable to look upon many current undertakings as imperfect forerunners of genuine co-operatives and to help them to achieve self-motivation and self-government (pars. 7, 8). A legislative background allowing for flexibility in such a transition is required (par. 29).

Co-operatives can and do prove instrumental in many ways for the improvement of poor people's conditions (par. 20). Few institutions offer such a range of opportunities to the poor together with the full status of an equal member. The social benefits of co-operatives at work, albeit imperfect, spread far beyond the confines of the societies and their membership (par. 22).

Co-operatives, however, should not be expected to solve single-handed the huge problem of poverty. Redistribution of wealth and income *among their members* is at best limited by imperatives of economic efficiency and competitiveness (par. 27); fundamental socio-structural reforms are far beyond their purview (par. 31) and the net input of resources necessary to initiate and sustain economic and social development must in the last analysis be provided by the community at large (par. 33).

Co-operatives whose membership consists exclusively of poor people can be desirable and instrumental in certain circumstances. But many considerations militate for mixed membership (par. 25) which, in turn, calls for precautions and safeguards – in the co-operative law and in the individual societies' by-laws – to curb the tendency of elites to administer people and things in their own interests. Specific provisions must, on the contrary, be made to ensure favoured treatment for the under-privileged (pars. 29, 30).

A most decisive factor in assisting co-operative efforts in the direction of the poor is the attitude and political will of government. The government can help to impede sound co-operative development in many ways. The risk of the latter should not be minimised (pars. 33, 34).

Education is fundamental to the process of developing co-operatives especially with respect to services to be rendered to the poor. Managerial cadres must be imbued with new motivations; new skills and a broader educational background must be imparted to society secretaries; better teaching aids must be evolved and disseminated (pars. 35-38). Co-operation must become a specific subject of higher research and learning (par. 40).

International assistance to co-operative development needs to be redirected and strengthened, a greater role being assigned to experienced co-operators, especially at grass roots level. Co-ordination, especially through COPAC, is imperative if the co-operative movement is to achieve its potential for the improvement of the living conditions of the poor throughout the world.

Source: ICA (1977): Co-operatives and the Poor, Report of an Expert Consultation, Loughborough, Studies and Reports, Thirteenth in the Series, London, 1977, pp. 19-26.

Annex II

COPAC: Statement on Co-operatives against Poverty, 1978

This statement, approved in plenary session, is based on views expressed by the participants and does not necessarily represent those of their governments or organisations.

The members of COPAC are: Food and Agriculture Organisation (FAO); International Co-operative Alliance (ICA); International Federation of Agricultural Producers (IFAP); International Federation of Plantation, Agricultural and Allied Workers (IFPAAW); International Labour Office (ILO); United Nations Secretariat (UN); World Council of Credit Unions (WOCCU).

1. COPAC – Committee for the Promotion of Aid to Co-operatives – convened this symposium to assist it in its task of orienting and coordinating the relevant action programmes of international organisations (both inter-governmental and voluntary) which provide aid for the development of co-operatives.

2. In spite of considerable economic advance in developing countries – stated the original invitation – the improvement in material standards and quality of life has been confined to a minority of the population; ... nonetheless, co-operatives are still among the few institutions that offer the rural people a chance to influence their own situation positively. This symposium will ... examine critically the actual and potential role of co-operatives in combating rural poverty ... It should be able to arrive at conclusions that could give practical guidance to policy-makers in this field.

3. Participants in this symposium noted and accepted these specific terms of reference. They addressed themselves to the following topics:

- Reaching the rural poor through co-operatives;
- Co-operatives and the landless worker;
- Participation of women in co-operatives to fight rural poverty;
- Making external assistance to co-operatives more relevant to the needs of the poor.

4. Each item was introduced by a report or reports and discussed in plenary session, in six discussion groups, and again in plenary. The present statement was amended and adopted at a final, full-day session on 4 August 1978.

5. Participants recommended that on the basis of the conclusions reached at this symposium and other relevant sources, COPAC should

elaborate concise guidelines on co-operatives against rural poverty for policy-makers of donor and recipient countries.

Reaching the rural poor

6. Participants were conscious of the fact that while co-operative organisations, in principle, are an instrument for helping the poor, socio-economic conditions have often prevented the poor from deriving benefit from co-operative action. These failures have their origin in the fact that the actual needs of the under-privileged have not been taken into account adequately. This problem has commanded attention in international circles for many years. The present meeting was one in a series and could also be considered as a preface to future, broader ones. E.g. the forthcoming World Conference on Agrarian Reform and Rural Development (FAO, Rome, July 1979). This is one of the most urgent problems of the developing world today. Literature on the subject is abundant and growing (see Prof. Münkner's annotated bibliography, Appendix E). On the other hand, the actual means and procedures available to redress the situation in the very different circumstances obtaining in the individual developing countries have not been systematically identified and assessed.

7. A dilemma clearly emerged from the discussions during the symposium: while a co-operative is a self-supporting institution, the co-operatives created to benefit the under-privileged have sometimes received support and assistance to such an extent as to become "charity institutions" or even mere instruments of rural people's exploitation, in contradiction with co-operative principles. One objective of the symposium was to promote methods allowing for the creation of genuinely self-managed institutions.

8. The rural poor themselves are best able to identify their own needs but are confronted by the difficulty of expressing them in a form recognised by policy-makers. Their needs often differ very largely from those identified by scholars and administrators who underestimate the contribution that can be made by co-operatives of the rural poor themselves. It is at best doubtful that other social categories of the rural population will devote sufficient resources and efforts to improving the lot of their underprivileged fellow countrymen. In some instances, they are actually exploiting to the full a lopsided power structure in rural areas. Decisive political measures are therefore called for.

9. Self-help through co-operative undertakings, however, requires a modicum of resources to be pooled and the special case of totally indigent families will therefore be considered as a specific item later in this report.

10. If the poorer categories of the rural population are to organise themselves for self-help action, the question arises whether they should set up special co-operative organisations of their own. Opinions vary among participants on this point. Many fear that social stratification would thus be accentuated and that the absence of economically stronger members would deprive such co-operatives of any impact. Others, however, believe that a specific set-up is required if the needs of the underprivileged are to be truly met, especially in rural contexts dominated by wealthier landlords.

11. Opinions converge, however, with respect to the need for unequivocal government support for all actions specifically intended for the benefit of the poor, helping them if necessary to overcome the resistance or opposition of other social categories.

12. Co-operatives, including those for the poor, must in the long run be allowed influence on national, and perhaps even international, development efforts. Doubts have been expressed as to how the poor could influence development efforts at national or international levels. For this to be possible, co-operatives must gain control over their own affairs and envisage exerting pressures jointly with other organisations catering for the underprivileged, both rural and urban.

13. In this respect, much discussion revolved around the applicability and relevance to developing countries of co-operative concepts, structures, and procedures as evolved in economically advanced countries. The need for considerable flexibility in applying foreign models is universally agreed. In particular, it is felt that the potential of pre-co-operatives and other non-conventional form of co-operation is greater than as yet recognised in most countries. The poor need, above all, organisations with which they can identify rather than organisations created by others which they are expected to join or to accept. It was generally agreed by the participants in the symposium that the model of mutual assistance and self-reliance should be the target, but regulations have to be flexible while respecting certain fundamental principles.

14. This concept requires adequate educational and training facilities which, in the long run, will reduce the danger of discriminatory or paternalistic approaches and allow a well-informed membership and enlightened co-operative leadership to emerge from the social categories concerned. Such educational and training systems should begin at the primary school.

15. Finally, there is agreement that, if the poor are to engage in a process of socio-economic change and contribute their share to overall eco-

conomic development, a major requirement is for co-operative initiatives to open up reliable outlets and fair marketing channels for the product of their work. Multinationals or state monopolies should not exert any control over co-operatives either upstream or downstream.

16. To the extent that a major constraint can be identified, it is to be found in extensive indebtedness or, conversely, in the inability of poor farmers to borrow from institutional sources for want of collateral. Therefore co-operatives must control the indebtedness process which is one of the main causes of impoverishment by applying a policy of group thrift and credit among the poor.

17. Co-operatives should not confine themselves to dealing narrowly with the problems of rural development, thus running the risk of becoming still more marginal. They should strive to be fully integrated into the economic system and to play a major role in resisting national and international pressures, particularly in the area of agri-business.

Participation of women in co-operatives

18. It has long been recognised and deplored that women do not play an important enough role in the activities and management of co-operatives. In the poorest groups of the rural population, this phenomenon is further aggravated by the economic discrimination, the material handicaps (too heavy work load, inadequate housing, strain on health caused by too frequent pregnancies) and the cultural handicaps (illiteracy, traditional systems of values) to which women are subjected.

19. The introductory report presented to the symposium broadens this picture further. On the basis of a COPAC enquiry, undertaken by the Ad Hoc Women's Group in 24 countries thanks to a grant by International Planned Parenthood Federation (IPPF), this report described the worsening of the marginal situation of women:

- Tendency of men to monopolise crops producing money income;
- consequent tendency for women to be obliged to cultivate food crops on the poorest land;
- discrimination in education: technical and economic training for men, domestic training for women.

20. It is unjustified to claim that the fact of bearing and feeding children is:

- incompatible with a full participation of women in the decisional process within the family and in political and economic life;
- incompatible with income-producing activities.

21. Even though some participants reported less radical negative experience and could quote examples of a general broadening of the scope for women's initiatives and of women gaining access to positions of responsibility which they fill with competence, it is unanimously agreed that progress in this direction is too slow and too limited. In order to integrate women in economic and political activities, to eradicate traditional prejudices which work in the interest of men, and to change the customs which sanction the subordinate position of women, structural changes and a purposeful education process for both men and women are required.

22. The participation of women in the activities and management of co-operatives can be one such process. Joint action within a co-operative can provide an opportunity to point out the inequalities and the means of eliminating them. For this reason, while the establishment of co-operatives exclusively for women, devoted to tasks accepted or claimed by them, need not be ruled out, it seems preferable to encourage women to occupy their legitimate place within mixed organisations. It can also be useful to set up women's committees within the framework of such co-operatives.

23. One of the chief aims of general education and co-operative programmes should be to promote competence and self-confidence among women and to lead to a more general assumption by women of responsibilities in the functioning of the socio-economic system, particularly in the production, processing and distribution of food crops. To achieve these aims specific projects should be undertaken or strengthened without delay. The results should be widely publicised so as to provide objective data on which to base discussions at the international women's meetings scheduled for 1980 and 1985.

24. Research similar to that begun by COPAC in the framework of the study mentioned in paragraph 19, should be undertaken at local and national levels, with and by women, so as to achieve a better understanding of questions relating to women and co-operatives.

25. The symposium's conclusions with regard to giving effective responsibilities to women within the governing bodies of co-operatives are similar to those of earlier international meetings. Whenever women do not

spontaneously gain access to such responsibilities, recourse must be had to legislative or other measures to promote it.

Co-operatives and landless workers

26. Eradication of poverty among the landless rural workers in developing countries needs to be given highest priority. These people are rightly considered as among the poorest of the poor because of the precarious and seasonal nature of their employment, the inadequacy of their wages when employed, and their total lack of material resources.

27. Insofar as the people in these social strata in principle have no monetary resources, there is need to help them group themselves into various kinds of co-operatives, particularly for production, which will improve their economic conditions. They also need to be provided with essential consumer goods and other services through co-operatives. The management of these co-operatives will have to accept special obligations in order to take due account of the particular needs of the very poor (as regards more especially, the type and price of goods provided, consumer credit, and so on.). Consideration should also be given to replacing individual and family membership by membership of homogeneous groups of landless rural workers.

28. In co-operatives with mixed membership attention must be paid to ensuring that the poorer members are democratically and effectively represented in general meetings and on management boards. Collusion between the better off members and the staff of a co-operative must be outlawed. Assistance from government, especially in the area of administrative support, must fully reflect these particular requirements.

29. Insofar as co-operatives become involved in the defence and representation of landless workers, adequate means to fulfil this function must be placed at their disposal. Maintaining regular links with trade unions can make a useful contribution here, but the ideal means remains a strong federation of rural co-operatives at national level. Such federations are best placed to gain acceptance for the basic idea that eradicating poverty is too vast a task for the co-operative movement alone and can only be tackled through coherent long-term government policies and resources.

30. The landless worker's main need is for employment. Where, as a consequence of land reform, surplus land is available, it should be allotted to landless workers organised in co-operatives. Members should receive training in land reclamation as well as improved agricultural practices. Similarly, labour and labour contracting co-operatives and others which

bargain for conditions of work and wages, are particularly relevant to conditions of landless labourers. Rarely, however, do political and economic conditions make it possible for such co-operatives to function effectively and the workers themselves are seldom mentally prepared for such joint action.

31. Handicrafts provide another field of co-operative action which can add to or replace wage-earning activities. The chief aim is to find remunerative and stable outlets preferably on a direct co-operative-to-co-operative basis, which allow the worker to by-pass unscrupulous middlemen. The development of such inter-co-operative trading relations, at national and international level, should have a high priority. Construction workers' co-operatives have also been successful in certain countries where they have obtained contracts from the local authorities.

External assistance

32. A special concern for co-operative actions intended to benefit the rural poor and underprivileged should be embodied in international assistance programmes. Such programmes should not induce recipient national governments to rely entirely on international assistance but encourage them to assume a positive role in facing the problems of the poor in their own national context and in ensuring full participation of the people concerned, especially women, in all development projects. External assistance should preferably be given to countries in greatest need. Long-term programming and financing in both donor and recipient countries are preconditions for success.

33. International assistance should be geared primarily, in the context of development policies, to the requirements of co-operative societies and their federations or unions. Many participants would like to see a greater degree of involvement by donors to ensure that the benefits of aid actually reach the poor in recipient countries. A growing number of donor countries are channelling special aid through agencies which emanate from the home co-operative movement rather than through governmental ones. The symposium recommends the continued and expanded use of such procedures. Similar procedures should be evolved to increase the interchange of experience and expertise and technical assistance among developing countries. Aid-givers should set aside resources for this purpose.

34. Much remains to be done to educate and train personnel in both aid-giving and aid-receiving countries. For this purpose continuous and intensive action-oriented study of local conditions (demographic, cultural,

social, economic and political) is indispensable. Longer periods of on-the-spot information and training for expatriates are clearly required. In recipient countries, on the other hand, training of national personnel should preferably be conducted in the country itself or in neighbouring countries experiencing similar conditions. Local expertise should be built up as rapidly as possible to allow prompt transfer of responsibility from international consultants to local counterparts. Training of middle-level personnel is frequently neglected, quantitatively and qualitatively, and this hampers overall performance significantly. Such personnel should be given education in economics, management, and elementary sociology, and in communication techniques.

35. One sector where training facilities and expertise in developing countries are still grossly inadequate is that of programme and project identification, formulation, monitoring and evaluation in ways consistent with the complex procedures of donor agencies. Given the scarcity of skilled personnel and the consequent weaknesses in these fields projects intended to benefit the poorest categories may often be given a low priority in processing. The development agencies should give more assistance in this area but a simplification of the procedures is also called for.

36. Participants stressed that much remains to be done to take full advantage of the potential for collaboration between co-operatives internationally. The co-operative movements should be able to provide experts from within their own ranks and necessary financing for preparing and undertaking projects. When international tenders are invited for co-operative projects in developing countries (public works, processing etc.) co-operatives both of developed and developing countries should be prepared to compete, provided it is within their technical competence.

37. As a result of the large number and variety of organisations engaged in some form of co-operative assistance and promotion in the developing countries these efforts are sometimes marred by duplication and, occasionally, conflict. COPAC was set up in 1971 primarily to help achieve a measure of harmonisation of policies and programmes in the co-operative sector. In spite of some improvements the situation is still less than satisfactory. Participants therefore believed it essential that support to COPAC be at least maintained at its present level. Some non-member UN specialised agencies, such as UNESCO and UNIDO, recognise the value of co-operative methods in their respective fields and would have a contribution to make to COPAC's effectiveness, as suggested in UN resolution 1668 (LII) of 12 June 1972 on the promotion of the co-operative movement during the Second United Nations Development Decade.

38. COPAC has a valuable function as a forum for informal consultations between governmental and voluntary international organisations, permitting possible divergence of policies and practice to be resolved at an early stage. UN and UNDP, in particular, have sought COPAC's collaboration in such matters as reporting on world co-operative development and evaluation of co-operative projects and programmes. COPAC's informational activities should be increased and its contacts and working arrangements with non-member organisations, international and national, be further extended. Participants strongly endorse COPAC's current activities, in particular those relating to assistance with project preparation and the search for sources of finance for small-scale co-operative projects. COPAC should further emphasise the role of women and their integration in co-operatives.

Source: COPAC, co-operatives against rural poverty, Vår Gård, Saltsjöbadan, Sweden, 31 July – 4 August 1978, Report of a symposium, pp. 6-14.

Some information on the author

The author started his professional work after four years of studies of law at the universities of Marburg, Mainz and Berlin and a degree in law at Marburg University, followed by one year of postgraduate studies in co-operative law at Marburg. He then joined a special 2-years trainee programme for co-operative advisers in developing countries, organised jointly by the Central Committee of German Co-operative Federations and the German Federal Government. This programme (1962-1963) was designed to help the newly independent states in Africa and Asia to build up their own co-operative movements. He was one of a group of 20 participants of whom half had an academic background and the other half a practical background. This trainee programme took him for several months to an Israeli Kibbutz, to a craftsmen's co-operative in Morocco and to the four different co-operative groups in Germany (consumer, housing, banking and agricultural). Practical training periods were supplemented by seminars and studies of literature. After passing an examination, the author was offered a position in an interdisciplinary team (economics, business administration, agricultural economics and law) at Marburg University to build up the Institute for Co-operation in Developing Countries (ICDC), an institute formed within the faculty of law and economics to establish a four years degree course in co-operative economics for students from developing countries. Work in this degree course started in 1964 and ended in 2002. Groups of 25 – 30 students for each study cycle were hand picked by members of the ICDC in their countries of origin. The academic studies were supplemented by 8 months of language training and three trainee periods, two in German co-operative enterprises and one in the participants' country of origin.

While working as lecturer in the degree course, the author started his doctoral dissertation on the co-operative law of English-speaking countries of Africa, with Ghana as an example. To complete this work, the author had to go deeply into the "Classical British-Indian Pattern of Co-operation", the type of co-operative legislation introduced in India in 1904 serving as a model for all former British dependencies.

After completing his doctorate in law in 1970, the author was appointed professor for German and foreign law of business organisations and co-operative theory. From 1972 to 1992 he served as co-director and from 1992 to 2000 as managing director of the ICDC. During his work in the Department of Economics of Marburg University he served two terms as Dean.

His work as consultant for co-operative legislation started with an ILO assignment in Singapore (1974/75). The co-operative legislation drafted during this period is still in force with some amendments. The innovation that found interest in the Asian region was the introduction of a Central Co-operative Fund, a kind of special tax, earmarked for financing the development of the national co-operative movement. The first assignment in a French-speaking country of Africa was 1978/79 in Burkina Faso (then Upper Volta), where his national counterpart was S. Kibora Ada, a graduate of the Marburg degree course in co-operative economics, who served for several years as director of the national co-operative development service, who later became the Regional Director of the West African Office of the International Co-operative Alliance and later served as Regional Director for the ICA Regional Office for the whole of Africa. The result was a law on co-operative societies and village groups, prepared in a participatory process of law-making. A law on similar lines was prepared in 1990-1992 in Cameroon as a legal adviser to USAID, the Law on Co-operatives and Common Initiative Groups. Between 1968 and 2005 the author worked in many assignments with ILO, FAO, IFAD, UNDP, UNIDO, UNDAT, USAID and GTZ and with other bilateral German development agencies.

Practical experience as co-operator was gained during the years 1985-2000 as founder member and chairman of the board of directors of "Marburg Consult for self-help promotion", a small registered co-operative of research workers and consultants dealing with co-operative development and related matters. The objects of this co-operative were to undertake interdisciplinary research, to publish text books (many of which were written by graduates of the degree course in co-operative economics) and to organise training courses. Currently, the author served for three years as the chairman of the supervisory committee of OekoGeno eG, a German co-operative with a nationwide membership developing ways and means to promote innovative, ecologically oriented enterprises, to offer investment opportunities to finance regenerative energy production, fair trade and co-operative forms of care.

The topic "Co-operatives and Poverty Reduction" started to interest the author, when UNRISD published its volumes on Co-operatives as Agents of Planned Change in the 1970s. He reacted strongly against reproaches of UNRISD that co-operatives fail to help the poor and increased the gap between the rich and the poor, rather than to narrow it, by writing an essay with the title "Co-operatives for the Rich of for the Poor", published in Korea in 1976. This paper was reprinted and distributed in several thousand copies. The next official meeting to deal with this topic was a COPAC meeting in Denmark in 1978, which resulted in several publications. In

1985, Marburg Consult was commissioned by the GTZ (German Association for Technical Co-operation) to analyse 18 projects in all parts of the world with the object to identify the role that registered co-operatives could play in reducing poverty. The report under the title "Possibilities for fighting poverty through formal self-help organisations" was submitted in 1989 but never published. One result of the research was a publication of Marburg Consult with the title "Attacking the roots of poverty" (Bakhit et al., Marburg 1992). Findings of this research were also used in a paper written for FAO with the title "Strategies for the promotion of self-help organisations of the rural poor" (by Münkner, Baltes and Gamm, Rome 1992; M/U8721/ E/1/11.92.500).

In the 1980s, FAO together with the German Foundation for International Development (DSE, today InWent) and the Indian Institute of Management, Ahmedabad, launched a programme on Appropriate Management Systems for Agricultural Co-operatives (AMSAC), which was later expanded in French-speaking West Africa under the title "Gestion appropriée des coopératives de petits exploitants agricoles" (GACOPEA). The author participated in both programmes and wrote a Guide for FAO with the title "Planning programmes and projects for the promotion of co-operatives and rural groups based on the AMSAC concept" (Münkner, Rome 1991; M/U2834/1/3.91/1000) and a GACOPEA guide in French in 3 editions (Münkner, Hans-H. and Madjedje, E.: Guide pour la gestion des coopératives de petits exploitants agricoles (GACOPEA) en Afrique francophone, 3rd edition, DSE/ZEL: DOK 1698 C/b, SE 740-030-93, Feldafing 1993).

Over the years, the author has always tried to integrate autochthonous forms of self-help organisations and micro-structures in the informal sector of developing countries into his analysis and also to look at questions of access to resources, mainly land and water, both under autochthonous and imported law.

During the 1990s, the author participated in the discussions of the ICA on the revision of co-operative values and principles, in discussions of the ILO on the revision of Recommendation 127 of 1966 concerning the role of co-operatives in the economic and social development of the developing countries and in discussions of COPAC when preparing a draft of the text of the UN Guidelines aimed at creating a supportive environment for the development of co-operatives, A/56/73, E/2001/68, adopted at 88th plenary session, 19 December 2001, A.RES.56.114.

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Parlamentarische und sonstige Materialien (1923-1969), 1990;
€ 50,00.
- Band IV *Beuthien, Volker, Brockmeier, Thomas, Klose, Holger:*
Gesetze, Verordnungen und Parlamentarische Materialien
(1969-1995), 1997; € 60,00.
- Band V *Beuthien, Volker, Brockmeier, Thomas, Klose, Holger:*
Genossenschaftsrecht der SBZ und DDR (1945-1990); SMAD-
Befehle, Gesetze, Verordnungen und Musterstatuten, 1997;
€ 101,00.

Jöstingmeier, Bernd (Hrsg.):

Aktuelle Probleme der Genossenschaften aus rechtswissenschaftlicher und wirtschaftswissenschaftlicher Sicht (Eberhard Dülfer und Volker Beuthien gewidmet), 1994; € 36,00.

Beuthien, Volker (Hrsg.):

Marburger genossenschaftswissenschaftliche Forschung: fünfzig Jahre 1947-1997, 1997; € 20,00.

Fehl, Ulrich (Hrsg.):

Genossenschaften und Mittelstand im Rahmen der marktwirtschaftlichen Ordnung. Schriften und Aufsätze: Festgabe des Instituts für Genossenschaftswesen an der Philipps-Universität Marburg zum 75. Geburtstag von Prof. Dr. Walter Hamm, 1997; € 35,00.

Beuthien, Volker, Bauer, Anja:

Marburger Dokumentation der Genossenschaftsinstitute: AGI-Institute in Deutschland, Österreich und der Schweiz und ihre Veröffentlichungen (Internetfassung), 2001.

* Diese Veröffentlichungen sind direkt vom Institut für Genossenschaftswesen an der Philipps-Universität Marburg, Am Plan 2, D-35032 Marburg, zu beziehen.

Kerber, Wolfgang / Schreiter, Carsten (Hrsg.):

Marktprozesse, Kapitaltheorie und Genossenschaften. Beiträge und Aufsätze: Festgabe zum 65. Geburtstag von Prof. Dr. Ulrich Fehl, 2004; € 48,00.

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Wozu noch Genossenschaften? – 60 Jahre ifG Marburg –, 2008; € 19,90.

MARBURGER BEITRÄGE ZUR GENOSSENSCHAFTLICHEN KOOPERATION*

FRÜHER

MARBURGER BEITRÄGE ZUM GENOSSENSCHAFTSWESEN*

(1–10 als Beihefte zur Schriftenreihe)

- 1 Der Haftsummenzuschlag als Eigenkapital im Sinne des KWG
Vortrags- und Diskussionsveranstaltung in Erbach/Rheingau am 19. Juni 1979 mit Referaten von Ernst Gessler und Bernhard Schramm, 1979; € 2,00.
- 2 Der kreditgenossenschaftliche Liquiditätsverbund im Vergleich mit zentral gesteuerten Filialsystemen
Vortrags- und Diskussionsveranstaltung in Marburg am 8. Oktober 1980 mit einem Referat von Helmut *Guthardt*, 1980; € 1,50.
- 3 Der Förderauftrag als Gegenstand von Geschäftsberichten und Pflichtprüfungen
Vortrags- und Diskussionsveranstaltung in Marburg am 25. Mai 1981 mit einem Referat von Eberhard *Dülfer*, 1982; € 4,00.
- 4 Genossenschaftliche Ehrenämter – noch zeitgemäß?
Vortrags- und Diskussionsveranstaltung in Marburg am 25. Oktober 1982 mit Referaten von Erich *Weinerth*, Friedrich *Wachtel* und Volker *Beuthien*, 1983; € 4,00.
- 5 Von einem Wandel des genossenschaftlichen Prüfungswesen – Juristische und gesamtwirtschaftliche Aspekte –
Vortrags- und Diskussionsveranstaltung in Marburg am 12. Januar 1983 mit einem Referat von Erich *Weinerth*, 1983; € 3,00.

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- 6 Gefährdet die betriebliche Automatisierung die individuelle Mitgliederförderung? – Bildschirmtext – Möglichkeiten und Grenzen eines neuen Mediums
Vortrags- und Diskussionsveranstaltung in Marburg am 10. Juni 1983 mit einem Referat von Dietmar *Boos*/ Georg C. *Neumann*/ Adrian Frhr. v. *Dörnberg*, 1984; € 5,00.
- 7 Welche Konsequenzen ergeben sich für die genossenschaftliche Prüfung aus der Automatisierung?
Vortrags- und Diskussionsveranstaltung in Marburg am 24. Oktober 1983 mit einem Referat von Max *Heerhaber*, 1984; € 5,00.
- 8 Die Kreditgenossenschaften und ihr Verbund im Zeichen sich ändernder bankpolitischer, wettbewerbspolitischer und bankbetrieblicher Rahmenbedingungen
Vortrags- und Diskussionsveranstaltung in Marburg am 2. Juli 1984 mit einem Referat von Bernhard *Schramm*, 1984; € 3,00.
- 9 Prüfung der Ordnungsmäßigkeit der Geschäftsführung bei Genossenschaften
Vortrags- und Diskussionsveranstaltung in Marburg am 29. Oktober 1984 mit einem Referat von Konrad *Mose*, 1984; € 3,00.
- 10 Finanzierung von Kreditgenossenschaften durch Genußrechtskapital
Vortrags- und Diskussionsveranstaltung in Marburg am 18. November 1985 mit einem Referat von Jochen *Lehnhoff*, 1986; € 3,00.
- 11 Zinsrückvergütungen in Kreditgenossenschaften
Vortrags- und Diskussionsveranstaltung in Marburg am 8. Oktober 1986 mit Referaten von Helmut *Berge* und Rüdiger *Philipowski*, 1987; € 5,00.
- 12 40 Jahre Institut für Genossenschaftswesen an der Philipps-Universität Marburg
Vortrags- und Diskussionsveranstaltung in Marburg am 2. Oktober 1987 mit Referaten von Walter *Hamm*, Erich *Weinerth* und Eberhard *Dülfer*, 1987; € 5,00.
- 13 Die GWB-Novelle unter besonderer Berücksichtigung der kartellrechtlichen Kooperationsproblematik
Vortrags- und Diskussionsveranstaltung in Marburg am 10. Juni 1988 mit einem Referat von Fritz *Rintelmann*, 1988; € 4,00.
- 14 40 Jahre Deutsche Mark
Vortragsveranstaltung des Instituts für Genossenschaftswesen an der Philipps-Universität Marburg und der Marburger Volksbank eG am 20. Juni 1988 mit Vorträgen von Eberhard *Dülfer*, Walter *Hamm*, Helmut *Schlesinger* und Albert *Frettlöh*, 1988; € 5,00.

- 15 Chancen für Banken und Versicherungen im genossenschaftlichen Verbund
Vortrags- und Diskussionsveranstaltung in Marburg am 14. Oktober 1988 mit einem Referat von Peter C. v. *Harder*, 1989; € 4,00.
- 16 Genossenschaftliche Kooperationen von Handel und Handwerk wettbewerbspolitisch erwünscht – trotzdem Kartelle? Für und Wider einer gesetzlichen Regelung (§ 5c GWB)
Jahrestagung des ZENTGENO in Bonn-Bad Godesberg am 27. April 1989 mit Beiträgen von *Batzer/Beuthien/Geberth/Hauser/Neumann*, 1989; € 5,00.
- 17 100 Jahre Genossenschaftsgesetz – wie genossenschaftlich ist die genossenschaftliche Rechtsform?
Vortrags- und Diskussionsveranstaltung in Marburg am 2. Juni 1989 mit einem Referat von Volker *Beuthien*, 1989; € 4,00.
- 18 Wertstellung und Überweisungslaufzeiten im Zahlungsverkehr
Vortrags- und Diskussionsveranstaltung in Marburg am 17. November 1989 mit Referaten von Walther *Hadding* und Gerhard *Barth*, 1990; € 5,00.
- 19 Die genossenschaftliche Wohnungswirtschaft nach der Aufhebung des Wohnungsgemeinnützigkeitsgesetzes
Vortrags- und Diskussionsveranstaltung in Marburg am 4. Mai 1990 mit einem Referat von Jürgen *Steinert*, 1990; € 3,00.
- 20 Zur Genossenschaftsentwicklung in der ehemaligen DDR
Vortrags- und Diskussionsveranstaltung in Marburg am 16. November 1990 mit Referaten von Jürgen *Blüher* und Erwin *Kuhn*, 1990; € 5,00.
- 21 Die bankrechtlichen Rahmenbedingungen des europäischen Binnenmarktes und die Auswirkungen auf die Kreditgenossenschaften
Vortrags- und Diskussionsveranstaltung in Marburg am 7. Juni 1991 mit einem Referat von Jochen *Lehnhoff*, 1991; € 4,00.
- 22 Zeittafel zur deutschen Genossenschaftsgeschichte
Arnd Kluge, 1992; € 6,00.
- 23 Probleme und Perspektiven der Mittelstandsentwicklung in den neuen Bundesländern
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Arnd Kluge, 1992; € 8,00.
- 25 Die Struktur der Kreditgenossenschaften und die Märkte von Morgen
Vortrags- und Diskussionsveranstaltung in Marburg am 12. November 1992 mit Referaten von Karl-Heinz *Vollmer* und Alexander *Erdland*, 1993; € 6,00.

- 26 Genossenschaften in Thüringen
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- 27 75 Jahre NORD-WEST-RING Schuh-Einkaufsgenossenschaft eG – Darstellung einer Entwicklung
Manfred T. *Wellenbeck*, 1994; € 6,00.
- 28 Zur Wirksamkeit der Aufsichtsratskontrolle bei eingetragenen Genossenschaften
Vortrags- und Diskussionsveranstaltung in Marburg am 8. Juli 1994 mit Referaten von Eberhard *Dülfer* und Jörg *Brixner*, 1994; € 6,00.
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Helmut *Berge*, 1995; € 6,00.
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Hans-H. *Münkner*, 1995; € 7,00.
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Vortrags- und Diskussionsveranstaltung in Marburg am 20. Juli 1995 mit Referaten von Paul Leo *Giani* und Hans *Bach*, 1995; € 5,00.
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Vortrags- und Diskussionsveranstaltung in Marburg am 4. Juli 1996 mit Referaten von Wolfgang *Ladewig* und Wilhelm K. *Barthelmeß*, 1996; € 5,00.
- 33 Materialien zu ländlichen genossenschaftlichen Stiftungen in der Provinz Sichuan, China
Herausgegeben und übersetzt von Ren *Bo* und Jens Peter *Lux*, 1998; € 7,00.
- 34 Reform des österreichischen Genossenschaftsrechts – Anregungen für Deutschland?
Vortrags- und Diskussionsveranstaltung in Marburg am 20. November 1998 mit Referaten von Markus *Dellinger* und Georg *Zawischa*, 1999; € 7,00.
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Karl-Heinz *Vollmer*, 1999; € 8,00.
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Christopher *Pleister*, 2000; € 7,00.

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Norbert *Kuhn*, 2002; € 8,00.
- 40 Wohnungsgenossenschaften vor neuen Herausforderungen
Vortrags- und Diskussionsveranstaltung in Marburg am 15. November 2002 mit Referaten von Paul Leo *Giani*, Hans-Ernst *Bingel* und Gerhart *Förschle*, 2003; € 9,00.
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Gabriele *Ullrich*, 2003; € 12,00.
- 42 Perspektiven für Genossenschaften aus Sicht der Sozialen Arbeit
Nicole *Göler von Ravensburg* (Hrsg.), 2004; € 12,00.
- 43 Ist die Genossenschaft als Wirtschaftsform noch wettbewerbsfähig?
Vortrags- und Diskussionsveranstaltung in Marburg am 18. Juni 2003 mit Referaten von Hans-H. *Münkner*, Hans-Joachim *Tonnellier* und Joachim *Siebert*, 2003; € 9,00.
- 44 Subsidiarität und Fördereffizienz im genossenschaftlichen Verbund
Vortrags- und Diskussionsveranstaltung in Marburg am 30. Juni 2004 mit Referaten von Volker *Beuthien*, Hans-Christian *Marschler* und Andreas *Martin*, 2004; € 9,00.
- 45 Wirtschaftsrecht im internationalen Anpassungsprozess
Symposium anlässlich des 70. Geburtstages von Prof. Dr. Volker *Beuthien* in Marburg/ Roth am 17. Dezember 2004 mit Beiträgen von Bernhard *Großfeld*, Günter Christian *Schwarz* und Frank *Meik*, 2005; € 8,50.
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Volker *Beuthien* und Heiko *Geue*, 2009; € 8,50
- 55 Zur Debatte: Genossenschaftliche Förderwirtschaft – Schlüssel zu einer zukunftsweisenden und gerechten Wirtschaftlichkeit?
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- 56 Zur Debatte: Beratungsgeschäft bei Genossenschaftsbanken – Wie bei Sparkassen und Geschäftsbanken oder anders?
Vortrags- und Diskussionsveranstaltung in Neu-Isenburg am 24. Juni 2010 mit Beiträgen u. a. von Lars *Hille*, Heinz *Hüning*, Volker *Köhler* und Andreas *Martin*, 2010, € 15,90
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Vortrags- und Diskussionsveranstaltung in Neu-Isenburg am 29. Juni 2011 mit Beiträgen u. a. von Rainer *Behle*, Peter *Hanker*, Ralf *Schmitt* und Edgar *Schneider*, 2011, € 16,90
- 58 Co-operation as a Remedy in Times of Crisis – Agricultural Co-operatives in the World: Their Roles for Rural Development and Poverty Reduction
Hans-H. *Münkner*, 2012; € 16,90

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FRÜHER

MARBURGER HEFTE ZUM GENOSSENSCHAFTSWESEN*

- 1 *Beuthien*, Volker
Wieviel Wandel verträgt die Genossenschaft?, 2002; € 2,50.
Wieviel Wandel verträgt die Genossenschaft?, 2. Auflage 2003; € 3,00.
- 2 *Beuthien*, Volker
Ist das Genossenschaftsrecht auf dem rechten Weg? – Zur deutschen Genossenschaftsrechts-Reform 2006, 2007; € 4,50.
- 3 *Weber*, Heinz-Otto
Organhaftung in der Genossenschaft, 2008, € 4,50.
- 4 *Beuthien*, Volker
Genossenschaften in der Finanz- und Wirtschaftskrise, 2009, € 5,00.
- 5 *Münkner*, Hans-H.
Länderbericht Deutschland zum EURICSE/EZAI SCE-Projekt: Untersuchung der Anwendung der Verordnung 1435/2003 betreffend das Statut der Europäischen Genossenschaft (SCE) in allen EU-Mitgliedstaaten sowie EEA Ländern (Norwegen, Island und Liechtenstein), 2010, € 5,00.

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