

## **Contributions of cooperatives for conflict resolution, integration and reconstruction in Nepal in gearing up for the UN International Year of Cooperatives in 2012**

### **GTZ Program Inclusive Development of the Economy (INCLUDE )<sup>1</sup>**

Organizations of the civil society play an important role in supporting economic development, local self-government and reconstruction. In the following it is examined, why among the community based organizations cooperatives in particular are expected to provide important contributions.

These contributions should correspond to the many and varied **challenges of reconstruction and conflict resolution** which Nepal has to overcome presently: Strengthening of state and municipal bodies, support of democratic processes, poverty alleviation, integration of disadvantaged population groups, qualification of local actors, implementation of sustainable development measures, generation of employment etc.

It is obvious that these tasks enclose political and social areas as well as the economy. Democracy and self-government can only be developed with the concurrent strengthening of enterprises and markets. This should not be arranged from outside and top down above, but it should be based essentially on the own initiative of the local actors.

In this way cooperatives move in the focus, which help realizing **the self-help of the population in particular in the economy**.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise<sup>2</sup>. Cooperatives are based on values such as self-help, self-administration, equality, equity, democracy, and solidarity. Members of cooperatives respect ethical norms like honesty, openness, social responsibility and caring for others.

Cooperatives are guided by seven principles which are based on the values mentioned above: (i) Voluntary and open membership; (ii) Democratic member control; (iii) Member economic participation; (iv) Autonomy and independence; (v) Education, training and information; (vi) Cooperation among cooperatives; (vii) Concern for community.

Due to these principles **cooperatives can be regarded as businesses in the private sector and as civil-society organisations** at the same time. This dual function makes cooperatives so valuable for the concurrent political and economic reconstruction. In this regard the following **potential contributions of cooperatives** are of relevance<sup>3</sup>:

- Ability to correct market failure, to intensify economic competition and to support a more efficient market organization.
- Cooperation of SME in larger and more efficient economic entities, which enable them to benefit from economies of scale without losing their autonomy and with low capital expenditure.
- Strengthening of the market power of SME by coordinating the offer of products and services and strengthening of bargaining power of consumers by pooling of their demand.
- Possibility to acquire management experiences for persons who otherwise would not get into responsible positions.
- Support for regional markets through local provision of goods and services and in close contact with the population, generation of value added in the region and stimulation of local and regional economic development.

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<sup>2</sup> International Cooperative Association ICA, Statement on Cooperative Identity, Geneva, 1995.

<sup>3</sup> ILO, The role of cooperatives and other self-help organisations in crisis resolution and socio-economic recovery, Geneva, 2001; EU commission, draft consultation paper "Cooperatives in the enterprise of Europe", Brussels, 2001.

- Production of trust and creation of social capital through democratic management and active members' co-determination.
- Ability to represent the interests of local actors vis-à-vis the government and administration, which also helps that needs of disadvantaged groups are perceived more effectively.
- Creation of services and employment opportunities for people, who are adversely affected by crises and conflicts, in particular those which are not offered by other market participants.
- Utilization of the effective organizational structure of cooperatives and the trust invested in them for the strengthening of the capacity of communities.
- Reduction of the vulnerability of communities against the results of crises and conflicts through the creation of reserves (e.g., savings, stocks).
- Priority for stakeholder value, no dependence on external investors and lower vulnerability against negative influences from the global economy and the capital markets.
- Sponsorship for medium-term and long-term development measures, which use organized self-help, avoid external dependence and aim at sustainability.
- Strong and increasingly important contribution to reaching numerous objectives in the employment policy, social integration, regional development and the development of rural areas and agriculture<sup>4</sup>.
- Investment of surplus from the business activity for community-based purposes (on the basis of autonomous member's decisions).
- Model function for the solution of conflicts and for the balance between different interests.
- Opportunities for learning and practicing of democratic decision-making processes and the qualification of local leaders.
- Economic integration of large parts of the population and overcoming of the isolation of minorities and disadvantaged population groups.

Cooperatives have these potential qualities already since their origin e.g. in Germany 160 years ago, when they were founded in order to overcome crisis situations, poverty and development deficits. Based on these advantages the suitability of cooperatives for the solution of economic, social and developing problems as well as for the integration of disadvantaged population groups has been proven many times and all over the world.

In this context the ILO has revised and extended its recommendation 127 for the promotion of the co-operative sector. In the new **ILO recommendation 193 concerning the promotion of cooperatives of 2002**<sup>5</sup> cooperatives are declared as sustainable and promising model for problem solution not only for developing countries, but for all countries. The development of cooperatives should concentrate upon strengthening their role in supporting human resources, local and regional economic development as well as in the fight against the gender inequality, poverty and social exclusion. Three subjects are pointed out:

- development and utilization of all potentials of cooperatives for the solution of social problems or the achievement of social purposes,
- encouragement for the establishment of cooperatives and for seizing measures, which allow disadvantaged people and problem groups to engage in cooperatives in a voluntary manner,
- to create a favorable social climate for cooperatives.

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<sup>4</sup> Communication of the EU commission to the council, European Parliament, the European economic and social committee and the committee of the regions on the support of the cooperatives in Europe, Brussels in 2004.

<sup>5</sup> International Labor Office, recommendation 193 concerning the promotion of cooperatives, Geneva, 2002.

The ILO supports measures, which enable cooperatives as businesses with a focus on solidarity, to respond to the needs of their members as well as of the society. This also concerns the specific needs of disadvantaged groups which should be integrated into the society.

Directed to governments all over the world the ILO declares that a well-balanced society needs a strong sector besides the public and the private sectors. It comprises cooperatives and other social and non-governmental organizations, which are based on the principle of mutuality. Hence, the governments are requested to create a political and juridical framework which corresponds to the nature and tasks of cooperatives and orientates itself on the cooperative values and principles,

In a similar manner the **United Nations argue in their “Resolution on cooperatives and social development from 2008”<sup>6</sup>**. It is recognised that cooperatives support the greatest possible participation in economic and social development of all people, including the women, youth, aged persons, disabled persons and minorities and that they contribute to the alleviation of poverty. In particular, the potential role of cooperatives for the improvement of the social and economic situation of minorities and of village communities is being stressed.

Therefore, governments are requested by the UN to promote the establishment and development of cooperatives. This includes those measures, which help poor and underprivileged population groups, women and minorities, to fulfill their needs in a comprehensive and voluntary manner. Furthermore, enabling framework conditions shall be created, an effective partnership between government and cooperative sector, better cooperative acts and research, as well as exchange of experience, training and technical consultation in particular in the areas of management, auditing and marketing.

In order for cooperatives to unfold their varied effects expected from them, the following **conditions for the effective performance of cooperatives** should be considered<sup>7</sup>:

- The cooperative’s foundation must be the demonstrated will of the potential members for cooperation and their engagement during the process of establishment.
- Cooperatives may not be misused by governments or political parties for the pursuit of their own purposes,
- The self-help character of cooperatives may not be impaired by inappropriate external support.
- Cooperatives are ideally suited for the reconstruction after conflicts, but not as actors in violent or politicized fights.
- Like other enterprises cooperatives need enterprise leadership and management capacity, which is recruited from the member’s circle or is found from outside.
- The specific type of the collaboration within the cooperative must be identified from among the many available organizational models in response to the needs of the members and the available market opportunities.
- Like other enterprises and social organizations cooperatives need capacity building, consultation and supervision.
- The collaboration between cooperatives, e.g., in the area of processing and marketing as well as raise their organization in federations, increase their potential effects..
- Cooperatives need access to special loan offers, which are adapted to their capital structure and organizational structure.

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<sup>6</sup> United Nations, resolution adopted by the General Assembly 62/128. Cooperatives in social development, New York 1/29/2008

<sup>7</sup> ILO, The role of cooperatives and other self-help organizations in crisis resolution and socio-economic recovery, Genf 2001.

- In creating basic framework conditions for cooperatives the balance is to be found between freedom and supervision (which ideally is exercised as far as possible in the form of self-regulation).
- Whether disadvantaged population groups are promoted best by establishing their own specific cooperatives or by integrating them into already existing cooperatives ones, is to be determined in each individual case.

The United Nations General Assembly has declared **2012 as the International Year of Cooperatives**, highlighting the contribution of cooperatives to socio-economic development. In its resolution<sup>8</sup> the UN Assembly noted that cooperatives impact poverty reduction, employment generation and social integration.

As self-help organizations that meet the needs of their members, cooperatives assist in generating employment and incomes throughout local communities. Cooperatives provide opportunities for social inclusion. In the informal economy, workers have formed shared service cooperatives and associations to assist in their self-employment. In rural areas, savings and credit cooperatives provide access to banking services that are lacking in many communities and finance the formation of small and micro businesses, and promote inclusive finance.

The cooperative sector worldwide has about 800 million members in over 100 countries and is estimated to account for more than 100 million jobs around the world. The strength and reach of cooperatives are illustrated by the example 49,000 credit unions under the umbrella of the World Council of Credit Unions serving 177 million members in 96 countries, and the 4,200 cooperative banks under the European Association of Cooperative Banks serving 149 million clients.

The International Year of Cooperatives 2012 is declared by the United Nations to draw attention to major issues and to encourage action with regard to cooperatives. To commemorate the Year, regional conferences will raise awareness of cooperatives and seek ways to leverage their contribution to socio-economic development and foster regulatory frameworks. A research agenda will be proposed and UN member states are to form national committees that will serve as focal points for the Year's activities.

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<sup>8</sup> UN assembly resolution 64/136 on International Year of Cooperatives 2010, adopted on 18 December 2009.