

# LEVERAGING THE COOPERATIVES MODEL IN RESOURCE MOBILISATION AND WEALTH CREATION

By

George Ototo

Managing Director –KUSCCO, Kenya

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# INTRODUCTORY STATEMENT

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## UN Secretary-General Ban Ki-moon

- × "Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility."

# BASIC FACTS ON COOPERATIVES

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## 1. A Co-operative

*“is an autonomous association of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”*

- + Legally incorporated enterprise/business
- + Owned & democratically controlled by people seeking to satisfy a common need for service.
- + autonomous union of people who voluntary join together in order to fulfil certain economic, cultural and social needs by establishment of a common and democratically govern enterprise (Brzozowski 1998);

# BASIC FACTS ON COOPERATIVES

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- + Structure can address both social & economic goals to improve the quality of life for members and the community at large
- + Co-op model can be applied to any community economic venture or social activity (i.e. fisheries, health care, eco-tourism, schools,etc),
- + Re-integration of prisoners into society – Access to Finance and Financial literacy.

# BASIC FACTS ON COOPERATIVES

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## 2. Community Development

*“the collective process by which residents and communities become responsible for, organize for, empower themselves, plan for and achieve sustainable social, economic, and environmental development and a substantially self-directed future.”*

- + Focused on the sustainability of the cultural, economic and social well being of communities
- + Seeks to empower people to participate in the future of their community
- + Encourages collective action to improve the quality of life for community residents

# BASIC FACTS ON COOPERATIVES

- **Cooperative movement:** aim at achieving certain economic goals by less powerful (/poor) economic groups, based on cooperation and reciprocal aid;- Cooperation must be **conscious, voluntary and based mainly on resources of the associated** – self-aid and self organisation principles (Brzozowski 1998);
- Cooperatives may contribute towards more rational using of means of production (e.g. shared machinery) and more rational production methods (e.g. diffusion of knowledge), creation of employment, development of the whole local community.

# BASIC FACTS ON COOPERATIVES

## 3. Community Economic Development

*“is a process which focuses on wealth creation, job creation, value-added activities, business and co-operative development, and enhanced viability for the community, the region and the province.”*

- + Enables communities to improve and solidify local economies
- + Based on collective action and integration social, cultural & environmental aspects of community life
- + Primarily driven by social and economic goals
- + Seeks to build human resource capacity in all dimensions.

# HISTORY OF COOPERATIVES

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## × Origins

- + 1800s Industrial Revolution in England
- + Change from agrarian to industrial work
- + Harsh living & working conditions
  - × Long hours
  - × Dangerous conditions
  - × Low pay



# HISTORY OF COOPERATIVES (CONTINUED)

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- ✘ Workers forced to buy on credit – high cost, low quality
- ✘ Result – labor movement, first co-op
- ✘ Rochdale (England) Co-op, founded in 1844, first successful co-op in the west.
  - + Stocked flour, sugar, oatmeal, butter, candles
  - + Unadulterated, fairly weighed
  - + It dramatically changed the extreme poor conditions of the members, making it a model for social and economic conditions
  - + Its Principles-the the Seven Rochdale Principles continue to guide the co-operatives across the world:

# COOPERATIVE PRINCIPLES

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## **Open and Voluntary Membership**

Co-op membership is open to anyone who can utilize its services and accept the responsibilities of membership.

## **Democratic Member Control**

One member, one vote

## **Member Economic Participation**

Members provide equity to the cooperative for the purchase of inventory and equipment, payment of operational costs, etc. Any profit may be re-invested or paid back to members

# COOPERATIVE PRINCIPLES

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## **Autonomy and Independence**

Cooperatives are controlled by members. If we enter into agreements with other organizations or governments, we do so in a manner that ensures control by members.

## **Education, Training & Information**

We provide education for members, employees and board members so that they can contribute to our co-op's development. We educate our community about co-ops and cooperative principles.

# COOPERATIVE PRINCIPLES

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## Cooperation Among Cooperatives

We work to strengthen the cooperative movement through working with other cooperatives in local, regional, national and international structures.

## Concern for Community

We have an active role to play in the local community in building thriving, sustainable relationships between members, the local community, and the environment.

# CO-OPS GLOBAL SNAPSHOT

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- Worldwide – 760M, members of 750,000 co-ops in 100+ countries
- US – 100M, members of 47,000 co-ops
- 77% of US polled said co-ops have best interests of consumers in mind (NCBA, study 2004)

# CO-OPS GLOBAL SNAPSHOT

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- ✘ 20 European countries have between them 24 systems of local co-op banks
- ✘ In France, co-op banks have 45% of the country's market share of deposits, in the Netherlands 40%.
- ✘ 3,874 local co-op banks in Europe with 181 million customers.
- ✘ European co-ops have € 5,647 billion in assets, € 3,107 billion in deposits.
- ✘ Credit unions operate in 100 countries worldwide with 51,000 unions and 200 million members.

# CO-OPS GLOBAL SNAPSHOT

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- ✘ Credit unions have \$1,564 billions in assets, \$1,223 billions in deposits and \$1,016 billions in loans.
- ✘ Co-op banks and credit unions reach the poorest people and have a substantial economic impact.
- ✘ Co-op bank assets grew by 10% 2007 – 2010.
- ✘ Co-op bank customers grew by 14%.
- ✘ 7% European Co-op banks suffered losses during the crisis.
- ✘ Credit Union reserves increased by over 14%.

Source- *Resilience in a downturn: The power of financial cooperatives* (ILO,2013)

# CO-OPS GLOBAL SNAPSHOT

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- ✘ Savings in credit unions increased by 1% in 2008, 15% in 2009 and 7.3% in 2010.
- ✘ Credit union loans decreased slightly in 2008 then grew by 7.6% and 5.3% over the next two years.
- ✘ Most of the financial co-op losses were made up within a year or two.
- ✘ Nearly all indicators show they have bounced back and are growing again.
- ✘ *Source- Resilience in a downturn: The power of financial cooperatives (ILO,2013)*



# COOPERATIVES AND COMMUNITY DEVELOPMENT SHARED PRINCIPLES & VALUES

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Both co-operatives & community development agencies share the following principles & values:

- A “bottom up” approach to development
  - Ensures community engagement in planning and implementation of initiatives
  - Encourages collective action
- **Community engagement and control**
  - Elects local boards of directors to ensure democratic governance
  - Public consultation a norm

# COOPERATIVES AND COMMUNITY DEVELOPMENT

## SHARED PRINCIPLES & VALUES

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- **Building community capacity**
  - Provides training & experiential learning activities for local volunteers
  - Creates networks of skilled and committed people

# WHAT CO-OPS BRING TO THE COMMUNITY DEVELOPMENT PROCESS

- × An alternative business model which is:
  - + An extension of community development principles into the business sector
  - + A tool that can deliver community identified service requirements
  - + A model that facilitates community ownership of business enterprises
  - + A mechanism for generating community investment
  - + A model that identifies well with community spirit, -of sharing, and caring and supporting each other in fight against all forms of sufferings(social and economic).

# CO-OPERATIVE TRANSFORMING LIVES THROUGH WEALTH CREATION: EXAMPLES

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## Newfoundland

- ✘ 100 years of serving needs of Newfoundlanders
- ✘ Systemic poverty & lack of services precipitated formation of first co-ops
- ✘ Hundreds of co-ops & credit unions formed in 1940s
- ✘ 1970's and '80's see resurgence of co-op development (i.e. Petty Harbour Co-op, Eagle River Credit Union, etc)

# CO-OPERATIVE TRANSFORMING LIVES THROUGH WEALTH CREATION: EXAMPLES

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- ✘ Currently, over 100 co-op provide a variety of business and community services across the province
- ✘ Changing demographics & society needs create new co-op opportunities (i.e. fur farming, blueberry production, etc)
- ✘ Regional & community development groups use the co-op model to respond to needs (i.e. Tourism marketing, Municipal Servicing, etc).

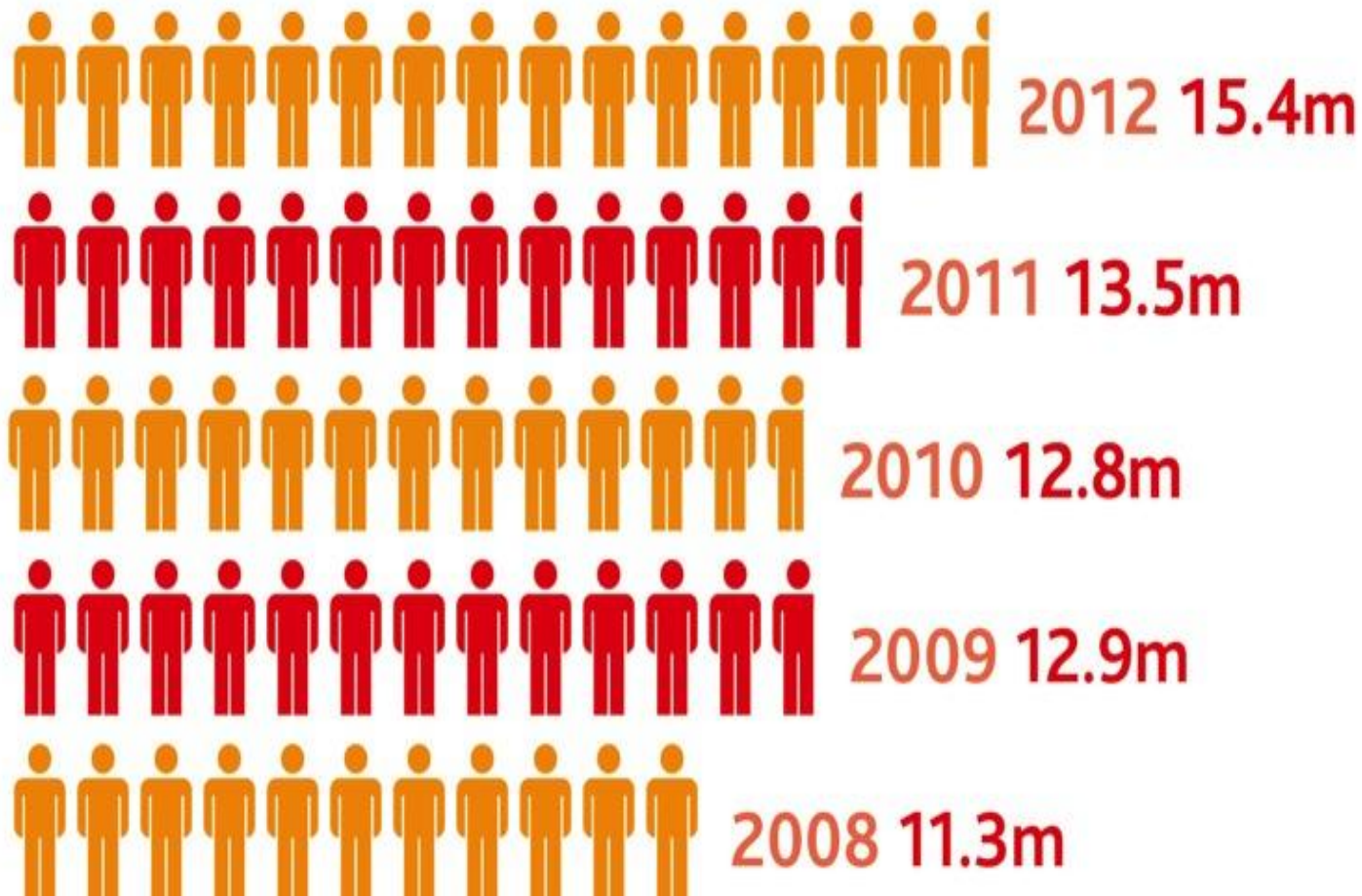
## Number of co-operatives in the UK: 6,169

Between 2011 and 2012 the number of co-operatives increased by 236, a 4.0% increase



## Number of co-operative memberships: 15,353,000

Between 2011 and 2012, the number of co-operative memberships increased by around 1.9m, a 13.7% rise



# Co-operatives in a word

We asked UK business leaders what they admired about co-operative enterprise. In one word each, this is what they said.

**Sharing**

Thor Bjorgolfsson, Chairman,  
Novator Partners

**Collaboration**

Lucian Tarnowski, CEO, Bravenewtalent.com

**Unity**

Katherine Garrett-Cox, CEO,  
Alliance Trust

**Listening**

Diana Verde Nieto, Founder and Chief  
Executive Officer, PositiveLuxury.com

**Consensual**

John Cridland, Director General, CBI

**Friendly**

Jitesh Gadhia, Senior Managing  
Director at The Blackstone Group

**The future**

Peter Lacy, Managing Director,  
Accenture Sustainability Services



## ✓ **Business growth**

The co-operative business sector has grown by 23% since the start of the credit crunch.

## ✓ **Employee productivity**

Employees of worker owned businesses are nearly twice as productive as employees of conventional businesses.

## ✓ **Consumer trust**

52% of people who expressed a view, described co-operative businesses as trusted, compared to just 7% for Public Limited Companies. The top three words used to describe co-operatives were 'Fair' (65%), 'Democratic' (58%) and 'Trusted' (52%).



## **Financial resilience**

### THE BUSINESS CASE

Over 90% of co-operatives are in business after three years, compared to 65% of all businesses.

# CO-OPERATIVE TRANSFORMING LIVES THROUGH WEALTH CREATION: EXAMPLES

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- Globally 1 billion people are members of cooperatives
- Globally 100 million people work in cooperatives
- 90% of farmers in both Korea and in Japan are members of agricultural cooperatives
- In France, 40% of agricultural production is channeled through a cooperative and 60% of retail services are offered by cooperatives,
- Canadian cooperatives and credit unions control an estimated \$370 billion in assets(Canadian Co-op. Association,2012)

# CO-OPERATIVE TRANSFORMING LIVES THROUGH WEALTH CREATION: EXAMPLES

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- ✘ The Movement employs **500,000** persons in Kenya directly and many more indirectly (Hon. Nyaga, 2012).
- ✘ 65% of Kenyans derive their livelihoods from the cooperatives sector (CO-OP Africa, 2012)

# CULTURE OF SAVINGS

- ✘ Studies have shown that many people are not saving enough, either as cash or in pensions.
- ✘ Savings is not only good in for individuals but a stronger savings culture is good for the society as a whole.
- ✘ People who are used to savings are in a position to make better credit decisions. For financial institutions, savers help lower credit risks and defaults. And in case of cooperatives, the more people save, the more they have to lend out to other members.
- ✘ For the role of employers, there are two specific ideas to help co-operatives grow;
- ✘ Employers could make it easier for employees to save by developing a local link-up with a SACCO and introducing a payroll deduction scheme, so employees can save directly out of their pay cheque.
- ✘ Employers could also allow employees to help SACCOs as part of their community involvement, sharing their time and experience with a ACCO as volunteers.

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Co-operatives Unique Leverage Position in  
Resource Mobilization and Wealth Creation.

# 1. CO-OPS ARE COMMUNITY OWNED & CONTROLLED BUSINESSES

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- ✘ Co-ops strive to provide high quality, cost effective services for member owners
- ✘ Private sector's primary focus is to maximize profits
- ✘ Co-operatives focus on the economic, social and environmental benefits to the local community
- ✘ Co-operatives are not entirely creatures of the business world, nor of the community, but rather a combination of the attributes and functioning of both.
- ✘ Like any other businesses, they aim to be productive and competitive and are focused on making a profit but in form of dividends.
- ✘ However, co-operatives are unique in that they are owned and democratically controlled by members not outside investors.



## 2. CO-OPS REQUIRE COMMUNITY INVESTMENT

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- ✘ As a business, co-ops require capitalization from their members to ensure business success
- ✘ The mobilization of local capital is key to local ownership and control
- ✘ Member investments create long term stability is key to financing future development/expansion
- ✘ Members tend to re-invest co-op profits to enable leverage of funds from other agencies (i.e. banks, government, etc) for operation activities

# 3. CO-OPS GENERATE PROFITS FOR THE COMMUNITY

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- ✘ Co-ops distribute profits based on the members use of services, not on the amount of capital invested
- ✘ Co-ops often use part of their profits to support other community development projects
- ✘ Historically, profits generate by large private sector operations (i.e. fisheries, retail, etc) are not retained in the local economy/province
- ✘ Co-operative maximize retention of profits to the benefit of its members and the local economy
- ✘ Some co-ops (i.e. Fogo Co-op) direct funds from profitable activities to less profitable ones to maximize community employment opportunities

# 4. A LEGISLATED OPERATIONAL FRAMEWORK

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- ✘ Co-ops are legal corporate entities under provincial & federal legislation
- ✘ The “Co-operatives Act” protects the unique aspects of the co-op business structure and operations & the rights of member/owners
- ✘ Co-op legislation provides more safeguards to protect the interests of members and those who conduct business with a co-op than private sector legislation

## 5. PRIORITY IS ON MEMBER SERVICES

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- ✘ A co-op's first priority is to serve the needs of its members by providing high quality, cost effective services
- ✘ The members always have direct control over what services are provided, how they are delivered and maintained
- ✘ The needs of the members and the community are always balanced against the fiscal sustainability of the co-op enterprise

## 6. PRODUCT INNOVATION AND FINANCIAL RESILIENCE

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- ✘ As member owned businesses, co-operatives integrate the ideas of employees and customers, the best source of new business ideas.
- ✘ This helps in enhancing the utilization of local and homegrown approaches to wealth creation, which are more sustainable than imported technologies.
- ✘ Over 90% of co-operatives in U.K.(Financial,2012), are in business after three years, compared to 65% of all businesses.

## 6. PRODUCT INNOVATION AND FINANCIAL RESILIENCE

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- × “Stability and the aversion to risk are built into the DNA of financial co-operatives. They make surpluses and they need to, otherwise they wouldn’t be businesses. But what they do with those surpluses is put them into the reserves, which means they are very strong financially and they don’t tend to have problems with the capital requirements of the regulators. In credit unions in other parts of the world they didn’t even face a drop in 2008. They didn’t notice the banking crisis; they just kept on growing slowly, regularly, not dramatically,” ( Professor Johnston Birchall, 2010)

# END

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- × Long live the Co-operative Movement ,for through it lives have been transformed globally.

Thank you and God bless you all