



Co-operative Party Policy Document

international development

**the co-operative party**  
politics for people





# international development

This Policy Brief summarises the Co-operative Party's policies on International Development, drawn from the Party's national manifestos and the work of the co-operative movement worldwide, as well as individual submissions in the first and second rounds of the 2014 policy process.

More information is available on [www.party.coop](http://www.party.coop)

# International Development.

“We live in a time of global uncertainty. Multiple crises and natural disasters are testing even the most robust economies and communities. (...) Co-operatives can contribute to building resilience in all regions and all economic sectors.”

Ban Ki-moon – UN Secretary-General - Message for the International Day of Co-operatives, 6 July 2013.

## Tackling Global Poverty

The Co-operative Party believes that everyone has the right to earn a decent living and provide for their family. Poverty is political and the co-operative movement has a proud record of helping to tackle global poverty through support for international development and the establishment of self-help initiatives. The Co-operative Party believes that intervention from Government should build upon existing co-op structures.

Concerted action to tackle poverty is even more important in these testing economic times. The recent financial crisis has had a disproportionate impact on the vulnerable in the poorest countries. It is the collective responsibility of more economically developed countries to mitigate the social impact of a crisis that was of the developed world's making.

The Co-operative Party believes that Britain should remain committed to spending 0.7% of national income on aid, and that this commitment should be enshrined in law. Having worked to free 28 countries from the shackles of debt, we call on the Government to continue to drive this agenda, as well as building on previous legislation to clampdown on vulture funds.

## The Co-operative Movement

The co-operative movement is one of the largest organised segments of civil society with over 800 million members, and plays a crucial role across a wide spectrum of human aspiration and need. Co-operatives provide vital health, housing and banking services; they promote education and gender equality; they protect the environment and workers rights. They play a vital role in the empowerment of the economically disadvantaged, and we will work to support them across the globe. These achievements should be recognised and built upon by the international community.

Globally, the families of smallholder farmers comprise the vast majority of the world's poor, with over 2 billion people, or a third of the global population, dependant on their income. Despite this, donor support for smallholder families has declined considerably over the last 20 years. While recent action to reverse this trend should



be commended, the financial crisis has led to them being hit by a triple whammy of falling commodity prices, reduction in remittances and difficulty in accessing credit.

Agricultural co-operatives play a vital role in allowing farmers to access services and markets, and are involved in over 50% of global agricultural production, enabling small producers to stay on their own land, and retain ownership. They provide a mechanism through which producers can come together and buy capital, thus allowing them to maximise gains from economies of scale. They also provide a natural framework for community investment, given that producer co-operatives often cover entire neighbourhoods.

Experts agree that the poor themselves must be centrally involved in the global campaign against poverty. Co-operatives do this, putting people at the centre of development, empowering communities to bring themselves out of poverty. The Government should recognise the strengths of the co-operative model which, after some difficult times, is now undergoing a revival both globally and in the UK.

In more economically developed countries, individual co-operatives have been able to build secondary co-operative structures - owned and controlled by their member organisations. These allow them to take advantage of increased economies of scale and power in national and international markets. Supporting co-operatives in the developing world to build this capacity is vital. The Government should work with the co-operative movement and its international partners to set up a co-operative agency for international development, which will provide support and build capacity for co-operatives across the globe. This agency can work in partnership with the Government and draw on the experience, expertise and resources of the UK co-operative movement to help build effective and modern development around the world.

Similar to the European Commission in their current 'aid and development strategy', it is vital that the UK Government recognise co-operatives as a specific type of development actor with support measures which clearly address their specific needs.

## Co-operative growth and resilience

An estimated three billion people derive some support for their livelihoods from co-operatives. It is estimated that co-operatives account for more than 100 million jobs around the world. The proportion of GDP attributable to co-operatives is highest in Kenya at 45%, followed by New Zealand with 22%<sup>1</sup>.

Resilience is important in current debates within international development and, as a result, a considerable academic literature on resilience has emerged. One key focus has been what resilience means in different contexts and especially in relation to organisations. Organisations can be deemed resilient when they are able to maintain their core functions when dealing with shocks and stresses. This then brings into play

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1 United Nations

a number of contributory actors including the ability to cope with risk and uncertainty; the capacity to plan for the future effectively as well as adapt to new situations.

Given their unique characteristics, being member-owned and democratically controlled enterprises, informed by specific values and principles, there are some co-operative specific factors which need to be considered. Vicari and Borda-Rodriguez (2014) identified five main factors that were critical for co-operatives to survive over time.

The five factors are:

- Values based membership.
- Networks (including relations with development agencies).
- Collective skills.
- Innovation.
- The role of government.

The absence or presence of these factors can either weaken or trigger resilience. They are also interconnected. Recognising this the UK Government and DfID must ensure that its Governance Advisers and Economists have the appropriate training and access to materials to ensure the quality of UK aid is improved through this lens.

## Trade justice

The Co-operative Party believes that trade is a key tool in the fight against global poverty.

Two areas are key to rebalancing the global trading system: fairtrade and trade justice.

International trade rules favour the most powerful countries, putting poor families and developing countries at a disadvantage. The Co-operative Party will continue to champion the replacement of free trade with just and equitable trade.

Financial, food and environmental crises are simultaneously hitting developing countries, impacting especially on the lives of smallholders who under current trading models in the competitive market are forced to produce as cheaply as possible. Unfair terms of trade are exacerbating the urgent food security and environmental challenges that the world is facing.

The UK Government should continue to champion an end to trade distorting subsidies and tariffs which stop developing countries being able to sell their goods at fair prices in Europe, the United States and other more economically developed markets.

There should also be a recognition that poor countries need time to manage the transition to more open markets and should not be forced to liberalise at the expense of their development. We must continue to fight for flexibility in the EU Economic

Partnership Agreements and strongly support trade policies based on research and analysis of their likely social, economic and environmental impacts.

Many farmers do not have the power to argue for long-term contracts or the skills and capital required to maintain the ecosystems on which they depend for long-term food production. Their livelihoods remain insecure, because if crops fail or production costs increase, buyers can simply switch to alternative suppliers. Producers want long-term stable relationships with buyers. The co-operative movement and fairtrade can help to develop such alternatives. However, as fairtrade sales have soared in recent years, it now faces the challenge of balancing the demands of mainstream retailers with its 'pro-poor development roots'. This policy brief suggests ways it can achieve this through supporting its producer co-operative members. Unique elements producer co-operatives bring to Fairtrade:

- Co-operatives are democratically run by their members.
- Co-operative members own the business themselves and share its profits.
- Co-operative membership brings strength in numbers, allowing producers to form networks to negotiate for better prices, access loans and receive training.

Products produced under fairtrade conditions need to be available to the consumer at comparative prices. The Government should campaign for lower, or no, EU tariffs for fairly traded products and a change in international trade rules to create favourable tariff regimes for sustainably produced products. It should end VAT for all fairly traded products as an intermediate measure.

Since its creation by Labour, the Department for International Development has done valuable work to promote fairtrade. Future Governments should continue to support and expand the role that fair and ethical trade can play in helping the world's poorest families. It should provide more support to enable smallholders to form secondary co-operatives which will enable them to access fairtrade markets.

There also needs to be a fundamental reassessment of the future direction of Fairtrade. So far, the strategic intent of Fairtrade has been to establish a long-term price and a social premium, in order to help them move from a position of vulnerability to security and economic self-sufficiency. This has made a difference in the lives of hundreds of thousands of farmers across the world.

## Two movements provide resilient models

More than 1 million producers and workers (5 million people including their families and dependents) in 58 developing countries now benefit from FLO (Fairtrade International) certified Fairtrade sales. Including non FLO certified Fairtrade would make these figures even higher. The sales of FLO certified Fairtrade products have been increasing by almost 40% a year on average. 72% of the UK public now recognise the FAIRTRADE Mark<sup>2</sup>.

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<sup>2</sup> Source: FLO, Fairtrade Foundation

Recent research for the Fairtrade Foundation has shown that for many producers, achieving FLO Fairtrade certification and finding buyers that will buy at Fairtrade prices often proves the biggest hurdle. They said that with Fairtrade and non-Fairtrade buyers they felt demands were made of them but there was no one for them to talk to about the problems they faced meeting these demands. Producers asked for:

- Secure trading partnerships to enable them to plan and build their capacity in the long term.
- Two way communication and support when working towards international standards rather than demands for compliance and costly audits.
- Support they receive to be driven by their own needs rather than donor priorities.
- More inclusive models of standard setting which can ensure standards are relevant and achievable, as well as less dominated by the demands of western stakeholders.
- Smallholders find it hard to compete with plantations when meeting international quality and ethical standards. They ask for a more level playing field.
- More member training and skill development to help farmers have a say in the running of their co-operatives and ensure they are run in the interests of all the members.
- Continued growth in demand for Fairtrade since many producers only sell about 10% of their certified products under Fairtrade terms.

## Smallholder producer needs

Most Fairtrade smallholder producers are certified through their co-operative. The Fairtrade movement could therefore play a significant role in helping farmers to maximise the benefits they receive through being member owners of co-operatives. Fairtrade could:

- Enhance producer support and capacity building in a way which recognises the distinct governance and organisation development needs of co-operatives.
- Build on lessons learnt from existing innovative models of co-operative co-ownership and partial product processing so that producer organisations can access to more of the value chain –especially the later stages which are closest to the consumer and most profitable.
- Review the FLO minimum price to ensure it covers the cost of certification.
- Involve producers more during the development of certification and audit standards.
- Create standards for other value chain players, particularly multinational retailers, to encourage them to provide more support to producers, ensure they engage in more long term trading partnerships and require them to expand the range of products they buy under Fairtrade terms using a continuous improvement model.
- Support producers through training and access to loans to adapt to and prevent climate change and environmental degradation in a way that recognises their limited capacity to document achievements.



- Use its political influence to represent producer views in global trade policy discussions.

The time has come for the next stage in the process – a move to ownership. Through assisting Fairtrade producers to own an increasing portion of their supply chain, we can allow primary producers to create more highly processed products, and capture a greater percentage of the profits generated through their sale. This would also allow some of the world's poorest families to collectively own sophisticated international businesses. The Government should therefore support a shift in international development funding to support targeted aid allowing producer co-operatives to capture more of the supply chain for their products.

## Ethical business

The Co-operative Party believes that UK companies and institutions should be governed by the same rules when they act overseas as they are governed by at home.

In particular, the Government should ensure that trans-national companies pay their fair share of tax. They should seek an international agreement to require full public disclosure of beneficial ownership and capital flows in all secrecy jurisdictions and introduce a general anti-avoidance principle, so that all payments between subsidiaries of companies aimed at reducing tax are made illegal.

Human rights are universal, and that it is the job of strong and mature democracies to support the development of free societies and ensure that their companies respect fundamental human rights.

The Government should legislate to provide victims of human rights abuses with access to the British courts for remedy, compensation and criminal prosecution - when these are found have been committed by, or in collusion with, UK based multi-national companies. They should also move the UK's National Contact Point for multi-national businesses to a neutral non-governmental public body, and give DFID and civil society a role in bringing investigations .

Existing government policy should be tightened to ensure that weapons produced in Britain are not used to abuse human rights elsewhere in the world.

Bangladeshi garment manufacturers have publicly admitted that their recent limited concession on labour rights were motivated by the withdrawal of tariff exemptions by the US and similar proposals by the EU. The Government should campaign for the EU to withdraw tariff exemptions, with notice, for all countries that continue to deny labour rights as defined by the ILO.

UK public sector organisations do not have the knowledge or resources to develop effective ethical procurement policies to support fairtrade, human rights and improve living conditions in developing countries. The UK Government should set up an Ethical Procurement Unit within DFID to distribute model policies to all public sector organisations. These should include the right to arrange audits of factories and other workplaces in collaboration with

local NGOs or trade unions, with DFID funding available for this purpose. Public sector organisations should have their ethical procurement policies subject to audit and published.

## Public Utility co-operatives

“Water is a gift from Earth. We need to take care of it and preserve it so the next generation can live. If we don't, the cost is the people, it is us’

Oscar Olivera, water activist, Bolivia, 2006.

One of the most urgent issues facing less economically developed countries (LEDC) lies in a lack of widespread public access to utilities such as clean water, electricity and sanitation. The absence of such essentials represents a major barrier to economic development, as well as contributing to public health issues such as infant mortality and the spread of disease.

Historically, one of the main causes of this lack of provision was the failure of state-owned enterprises to properly invest in the infrastructure or improving access, a problem that exacerbated by corruption and poor urban planning. The past 25 years, however, has seen a massive push towards the privatisation of public utilities. This process has largely been driven by pressure from international donors such as the World Bank and IMF, who have made liberalisation of utility markets a key condition of aid.

This process has seen low-income countries reducing their share of state ownership by half, and is estimated to have yielded an average \$50bn a year, a third of the global proceeds from privatisation. However, there is widespread evidence that, after several decades, the experiment has failed. Private investment had dried up, with annual private investment in water provision, for example has fallen from a peak of \$150bn in 1997 to less than \$50bn. Issues include:

- Major increases in utility costs, combined with an end to public subsidy
- Failure to extend supply
- ‘Cherry picking’ of contracts to most profitable areas to supply
- Failures to co-ordinate utility supply (e.g. water and sanitation) into urban planning

The Co-operative Party believes that mutual ownership models provide a much needed alternative and an effective means of delivering essential utilities such as clean water, electricity and telecoms in the developing world. Success stories suggest that this can be done in a way that balances much-needed investment, expansion of access, social environmental responsibility, and accountability to service users.

In Bolivia, for example, co-operatively owned SAGUAPC provides high-quality water service to 95 percent of the residents in its concession area, with 100 percent water meter

coverage. It does this with only 3.11 employees per 1,000 water connections, making it one of the leanest water services in Bolivia. Though only 50 percent of SAGUAPC's customers are currently connected to the sewer system, the co-operative treats 100 percent of this sewage before releasing it back into local rivers, a rarity in Latin America.

In energy too, the historic success of rural electrification programmes in places as diverse as Cambodia, Costa Rica, the United States, Argentina and Bangladesh point to a successful model that can be replicated in the developing world. In Bangladesh, since the 1970s rural energy co-operatives (known as Palli Bidyut Samities or PBSs) have been responsible for the installation of 219,000km of distribution lines which connect over 47,000 villages and 30 million people to the grid.

To enable the delivery of affordable, accessible and accountable public utilities in the developing world, the Co-operative Party see the need to:

- Reorient UK aid policy towards support for public solutions, including co-operatives and mutual models where applicable.
- Allocate funding to support the development of mutual and other democratic models of water and energy ownership in the developing world.
- Facilitate investment and other forms of assistance by UK co-operatives to public utility co-operatives in less economically developing countries
- Use UK influence in multilateral donor organisations such as the IMF and World Bank to advocate for alternative ownership models, and to refocus structural adjustment programmes (SAPs) and Poverty Reduction Strategy Papers (PRSPs) away from an automatic focus on market liberalisation.

## Co-operatives and healthcare

### Community-led health services

Learning from the experience of agricultural co-operatives there has been a successful expansion of community-led accountable health service facilities in developing countries. For example in Burkina Faso at least seven hundred village health committees have been established involving 60,000 villagers, a third of whom are women. This network is based on the co-operative principles of democratic control, autonomy and independence, as well as education and training at village level. The network has proved itself very effective, and all the regional health committee have developed revenue generating activities (including pharmacy services) to ensure they are sustainable.

The Uniao dos Medicos de Santos (Unimed Santos) provides another strong example of the strength and use of co-operation in the delivery of health care in developing countries, it was Brazil's first health co-operative. Unimed has grown to become a network

of 360 co-operatives covering 80% of Brazil's counties. In addition to 100 of its own hospitals, 54 laboratories and 456 ambulances, it also has 3,033 associated hospitals within its network, and provides care to 19 million customers, 10% of the country's population. The Co-operative Party believes that these examples show need for strong support of co-operative models to deliver health care in developing countries.

## **HIV/AIDS effect and co-operative role in tackling the disease.**

In addition to the human and emotional suffering for people affected by HIV/AIDS and their families, the ILO has spelled out in clear terms the economic implications of HIV/AIDS in development: 'By causing the illness and death of workers, the HIV/AIDS epidemic reduces the stock of skills and experience of the labour force, and this loss of human capital is a direct threat to goals for poverty eradication and sustainable development'.

Co-operatives are as affected as other types of business in this respect. An indication of the possible decline in co-op members as a result of HIV/AIDS was given to the ICA in 2003 by the UN Agency UNAIDS. It showed the prevalence of HIV/AIDS among co-operative members in eleven countries in Africa. The Co-operative College reports that sensitive questions in this area have been tackled by co-operatives in Kenya asking credit union staff to only to take leave to attend funerals of close relatives.

If co-operatives have to face significant challenges, they also have a very positive, role which they can play in global efforts to defeat the HIV/AIDS pandemic. Given co-operatives history of socio-economic development of many African countries they stand a greater chance of contributing positively in the fight against HIV/AIDS. All types of co-operative can help whether it be agricultural co-operatives who are well placed to reach rural communities who can be the least well informed or co-operative micro-finance organisations who can help ensure patients are able to save for medical bills, funeral costs and future school fees for children. Co-operatives can help in three key ways:

- By directly helping meet the needs of members with HIV/AIDS and their families.
- By using their experience and community involvement to increase awareness of HIV/AIDS.
- By developing new types of co-operative, such as home-care co-operatives for AIDS patients.

## **Co-operatives and the Sustainable Development Goals**

One of the main outcomes of the Rio+20 Conference was the agreement by member States to launch a process to develop a set of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals and converge with the post 2015 development. It was decided establish an "inclusive and transparent intergovernmental process open to all stakeholders, with a view to developing global sustainable development goals to be agreed by the General Assembly".

In the Rio+20 outcome document, member States agreed that sustainable development goals (SDGs) must:

1. Be based on Agenda 21 and the Johannesburg Plan of Implementation.
2. Fully respect all the Rio Principles.
3. Be consistent with international law.
4. Build upon commitments already made.
5. Contribute to the full implementation of the outcomes of all major summits in the economic, social and environmental fields.
6. Focus on priority areas for the achievement of sustainable development, being guided by the outcome document.
7. Address and incorporate in a balanced way all three dimensions of sustainable development and their interlinkages.
8. Be coherent with and integrated into the United Nations development agenda beyond 2015.
9. Not divert focus or effort from the achievement of the Millennium Development Goals.
10. Include active involvement of all relevant stakeholders, as appropriate, in the process.

The International Co-operative Alliance issued a response to the above Sustainable Development Goals which the Co-operative Party endorses and promotes here in the UK:

### 1. Recognition

That co-operative enterprises are a well suited model of business to deliver Sustainable Development Goals; the generation and equitable distribution of wealth, the creation and maintenance of sustainable enterprises and jobs at the local level and the concern for the surrounding community are specific characteristics of cooperatives that makes them well suited to deliver these goals.

### 2. Inclusion

Of specific targets and indicators related to the promotion and development of co-operatives in member countries, in accordance to the definition, values and principles referred above; these targets should be associated with a concept of growth that includes other factors than GDP, in particular targets associated with social and environmental indicators.

### 3. Access

To specific implementation measures and programs including funding; these programs and measures should be adapted to the specific characteristics of cooperatives



and respect their specific business model, by which, inter alia, the share capital must be owned and democratically controlled by their members. These programs should encourage co-operatives' trend to build financial reserves on their own funds and, wherever they reach a certain density, to establish mutualized financial instruments among themselves. Any financial initiative willing to promote co-operatives should acknowledge their needs and contribute through existing co-operative intermediaries, whenever these exist.

#### 4. Participation

Of co-operative structures in the discussions and decision-making processes regarding the Sustainable Development Goals. The decision-making process should be made in full compliance with participatory principles. Moreover, the identification of specific measures and programs should ensure the involvement of local business, their representative organizations and civil society. Programs should be designed through local consultation processes and preceded by in-depth assessment studies of the local context.



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