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Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

*The role of the private sector in promoting
economic growth and reducing poverty in
the Indo-Pacific region*

May 2014

Table of Contents

Executive Summary	2
About this submission	3
What are co-operatives and what do they do?	4
The current role of the co-operative private sector in accelerating the pace of economic growth and in reducing poverty in poor countries in the Indo-Pacific region	5
The role of co-operatives in improving the lives of women and children	7
Role of co-operatives in Indo-Pacific nations	8
What other donors (new and traditional) are doing in this area - the role of Australian co-operatives and mutuals in aid and economic development in Indo-Pacific nations	9
Role of international co-operative businesses in development in Indo-Pacific nations	11
Additional partnerships, activities or financial instruments the Australian government could use to enhance the role of the private sector in development in the Indo-Pacific region	12
Legislative, institutional, social and policy constraints that may reduce the ability of private sector agencies to engage in development	14
Recommendations	15

Executive Summary

Co-operatives and mutuals are autonomous private sector organisations. In Australia, although lacking in visibility, they are big business with eight in ten Australians, a member of at least one co-operative or mutually owned enterprise such as a customer owned bank, a member-owned super fund, health mutual or roadside assistance organisation.

Globally their reach is staggering with one billion co-operative members and half the world's population relying on co-operative enterprise directly or indirectly for their livelihood.

Unlike other business models, co-operatives include a system of democratic governance, transparency and self-management that builds skills, community resilience and economic management. When the co-operative sector invests in aid it looks for sustainable solutions to empower communities economically so that over time, dependence on aid is reduced. These enterprise-based, rather than welfare solutions are aimed at facilitating sustainable economic and social development so that developing nations can move towards self-reliance.

The Business Council of Co-operatives and Mutuals (BCCM) welcomes this inquiry into the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region. In particular the BCCM welcomes the opportunity to share what co-operatives and mutual businesses are doing in this area.

Co-operatives have an important role to play in accelerating the pace of economic growth and in reducing poverty in poor countries in the Indo-Pacific region because of their unique structure and operating principles.

The BCCM recommends that the Government closely examine the approaches to aid and economic development shown to support sustainable and equitable development in Indo-Pacific nations.

This submission argues that aid focused on enterprise and capacity building has the greatest potential to alleviate poverty and accelerate the development of the private sector in those countries, lifting people out of poverty and giving them hope of a self-sufficient and sustainable future.

There is also the opportunity for Government to develop and strengthen partnerships with the existing co-operative business movement in the Indo-pacific region. Investing in the development strategies of co-operative organisations may be a better way to promote economic growth and reduce poverty because of the local embeddedness, niche expertise and local ownership of these organisations.

This paper will outline why co-operatives are recognised conduits of economic development and poverty alleviation and why this business model should be considered for inclusion in any reassessment of Australia's approach to aid and economic development not limited to just traditional public-private partnerships (PPPs).

About this submission

The Business Council of Co-operatives and Mutuals is an association of the chief executives of Australia's leading member-owned and member-based businesses, which promotes the role of co-operative and mutual businesses in the economy and community development of Australia.

The BCCM brings together the entire range of co-operatively and mutually owned enterprises across many industry sectors from agriculture, motoring and retail, to health, housing and financial services. The BCCM engages with government on the benefits of the co-operative business model for building dynamic local economies, sustainable, local employment, community reinvestment and community-generated, self-help solutions to shared needs.

The BCCM acknowledges the government's steps to consult with a broad range of stakeholders and we appreciate the opportunity to make a submission outlining what we believe is the critical role of co-operatives and mutuals in promoting economic growth and reducing poverty in the Indo-Pacific region.

Please direct all queries with regard to this submission to the Business Council of Co-operatives and Mutuals.

Yours sincerely,

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What are co-operatives and what do they do?

Co-operatives are autonomous, private sector organisations, which are controlled by and run for the benefit of their members. Profits are reinvested to develop the business or are returned to members rather than going to benefit third parties (external shareholders). Similarly, mutuals mutualise risks and organise goods and services (typically finance, healthcare and social services) in the interests of their members.

The internationally agreed Co-operative Values and Principles¹ commit the co-operative sector to working together through local, national, regional and international structures and to work for the sustainable development of their communities. These principles drive their engagement in international aid and development.

As part of their commitment to co-operative values, member owned businesses are market leaders in the percentage of profits reinvested in the community. Many have developed significant international aid programmes in line with their commitment to socio-economic development of poorer communities.²

The co-operative and mutual sector in Australia is historically important and economically significant yet under-recognised. Eight in ten Australians is a member of at least one co-operative or mutually owned enterprise such as a customer owned bank, a member-owned super fund, health mutual or roadside assistance organisation. Over 13 million Australians belong to more than 1600 co-operatives. Financial mutuals serve around 4.5 million Australians. The member owned industry superannuation funds manage around \$400 billion in assets.

Co-operatives and mutuals typically have long-term, sustainable and collaborative strategies, which means that they have resilience when economic conditions worsen.

The report *“Resilience in a downturn: The power of financial cooperatives”*,³ released by the Cooperative Branch of the International Labour Organisation in 2013, notes that financial co-operatives have fared better compared to all banks in times of crisis. Savings and credit co-operatives, co-operative banks and credit unions have grown, kept credit flowing especially to small and medium sized enterprises, and remained stable across regions of the world while (indirectly) creating employment.

¹ <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

² Teachers Mutual Bank’s investment in community outperformed the London Benchmarking Group (LBG) global benchmarks. In 2013 the mutual bank’s total community investment of 4.1% of pre-tax profits was seven times higher than the LBG Australia & New Zealand average and 12 times higher than the finance services sector average.

³ Birchall, J (2013) “Resilience in a downturn: The power of financial cooperatives,” Online: http://www.ilo.org/empent/Publications/WCMS_207768/lang--en/index.htm

The current role of the co-operative private sector in accelerating the pace of economic growth and in reducing poverty in poor countries in the Indo-Pacific region

“In order to fight poverty one should fight dependency first” (Friedrich Wilhelm Raiffeisen).

One of the most powerful statements about sustainable development and poverty alleviation is credited to Friedrich Wilhelm Raiffeisen, the founder of the co-operative movement of credit unions. Raiffeisen stated that there is a connection between poverty and dependency and realised that self-reliance had more potential in the long run than charitable aid.⁴

Self-help or participatory development (helping people to help themselves) continue to be answers to the problem of poverty.

“On their own, the poor can only stay trapped. They have to work together to gain collective strength that they do not have individually; the poor need to get organised. But what types of organisation are best at doing this? There are several types, including the public sector, private for-profit sector, non-governmental organisations (NGOs), community-based organisations (CBOs) and co-operatives. We think that co-operatives are the best form, and so it is important at this point to say what we mean by co-operatives. Co-operatives are member-owned businesses. The simplest way to understand them is that they aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness.”⁵

Co-operatives are an enterprise-based solution to poverty. In developing locally owned and operated businesses they contribute to the development of a prosperous private sector and sustainable market supply chains in poorer countries so that dependence on aid might be reduced over time. For example, 75 per cent of Fairtrade goods are produced by co-operatives of smallholder farmers.

Co-operatives have a long history of contributing to global economic development and social well being. The United Nations declared 2012 the International Year of Co-operatives, in recognition of the importance of the co-operative business model in realising economic and social development and alleviating global poverty (the Millennium Development Goals).

The International Labour Organisation (ILO) Recommendation 193 for the Promotion of Co-operatives recognises co-operatives as important in improving the living and working conditions of women and men globally as well as making essential infrastructure and services available even in areas neglected by the state and investor-driven enterprise.

⁴ Raiffeisen converted his charitable foundations into a farmers' bank in 1864. Raiffeisen's legacy includes Netherlands headquartered co-operative bank, Rabobank, a global leader in food and agri financing and in sustainability-oriented banking.

⁵ Birchall J and Simmons R, “Co-operatives and poverty reduction: Evidence from Sri Lanka and Tanzania”, Co-operative College, 2009

In June 2012, 190 countries approved the Rio Plus 20 Declaration, which included strong support for co-operatives in contributing to social inclusion and poverty reduction in developing countries, especially to sustainably increase agricultural production and productivity, through improving the function of markets and international support mechanisms: *“We encourage the private sector to contribute to decent work and green job creation for both women and men, and particularly for the youth, including through partnerships with small and medium enterprises as well as co-operatives.”*

The Committee on Food Security October 2012 Final Report endorsed recommendations to directly support agricultural livelihoods and productivity for the poor, particularly smallholder farmers and small-scale food producers, including through farmer organisations and co-operatives for market access and decent jobs.

Co-operatives can contribute to poverty alleviation by generating decent jobs that are productive and provide income to their members. Co-operatives provide over 100 million jobs.

According to the International Co-operative Alliance (ICA), co-operatives impact positively on economies and food supply chains.

They deliver:

Improved food security - According to the Global Forum on Local Development, investments which support the establishment and operation of farmer and producer co-operatives have demonstrated success in improving food security and can help to address the imbalance between smallholder farmers and other stakeholders in the value chain.

Improved rural incomes – Co-operatives increase rural incomes through improved production, access to markets and greater access to food at the local level, building the resilience of poor families and communities and making them less vulnerable to external impacts.

Reduce price volatility - Co-operatives strengthen the bargaining power and livelihoods of small farmers who are less vulnerable to price fluctuations, through working together.

Effective in reducing hunger - UN Secretary-General Ban Ki-moon said in a message to World Food Day 2012 that agricultural co-operatives would be crucial in meeting the Zero Hunger Challenge that he launched at the Rio+20 UN Conference on Sustainable Development in June 2012.

Scale to make a difference - The co-operative sector accounts for a significant share of gross domestic product (GDP) in many economies. Worldwide, co-operatives have more than one billion members, a large proportion of which are in the agriculture sector. For example, in Brazil, 37 per cent of agricultural GDP is produced through co-operatives; in Egypt, four million farmers earn their income through co-operative membership; in Ethiopia the equivalent figure is 900,000; and in India, 16.5 million litres of milk are collected every day from 12 million farmers in dairy co-operatives.

The role of co-operatives in improving the lives of women and children

Democratic member control without gender (or other forms of) discrimination, lies at the heart of co-operative models of enterprise. The formation of co-operatives can play an important part, therefore, in working towards the economic and social empowerment of women.

The ILO Promotion of Cooperatives Recommendation, 2002 (No 193) calls for measures to promote the development of co-operatives in all countries. It recommends that “special consideration should be given to increasing women’s participation in the co-operative movement at all levels, particularly at management and leadership levels”. It also calls for national policies to promote gender equality in co-operatives and in their work.

Co-operatives can also offer the benefits of collective organisation as an alternative to individualised self-employment. More than four-fifths of the 50 million or so domestic workers worldwide are women. Co-operatives provide a legally recognised model for workers in the informal economy to organise to help protect their working environments.

Co-operatives run by and for women can offer particular opportunities for them to control their own economic activities, especially in situations where women face social and cultural constraints which limit their ability to participate in the working world.

It is relevant to note the work undertaken jointly by the ILO and the ICA Asia-Pacific region, which led to the 2005 ILO publication “Leadership Training Manual for Women Leaders of Cooperatives”. This work is updated by ICA Asia-Pacific region in partnership with the Japanese Consumer Cooperative Union and the Asian Women in Cooperative Development Forum.

Case study

Nutmeg used to be seen as a waste fruit in the small low-income community of Toisapu, in Indonesia’s Maluku islands. Villagers would use the nutmeg seed but throw away the fruit itself. That practice changed in 2010 when the Sejuk Women Cooperative came up with the idea of using the previously discharged parts of the fruit to produce juice. Initially the co-operative produced about 40-50 bottles a month, but now production has increased to well over 2000 bottles. The co-operative ships its juice all over the country, including to the capital Jakarta, and has also begun to export abroad, to places as far away as the Netherlands.

The women involved in the project enjoy a better income and better living conditions. The co-operative is now planning to set up a multi-purpose co-operative to start a saving and credit scheme, and to sell other products such as daily domestic goods. The co-operative also plans to join social security programmes, to provide further protection for its members.⁶

⁶ Source: http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184737/lang--en/index.htm

Role of co-operatives in Indo-Pacific nations

According to the World Co-operative Monitor, four of the top five largest agriculture co-operatives in the world, relative to the GDP per capita, are in the Indo-Pacific region, namely in India (Indian Farmers Fertilizing Cooperative), South Korea (National Agriculture Cooperative Federation), Japan (Zen-noh, National Federation of Agriculture Cooperatives) and New Zealand (Fonterra Cooperative Group).⁷

From one supermarket in 1973, NTUC FairPrice Cooperative Ltd has grown to become Singapore's largest retailer, with a network of more than 270 stores.⁸

The All-China Federation of Supply and Marketing Cooperatives consists of 22,537 primary Societies with 160 million member peasant households, and more than 1,282 million employees. It is the largest co-operative in China.

An important force for developing the rural economy, supply and marketing co-operatives have played a major role in ensuring the supplies of agricultural means of production, activating circulation of farm produce, promoting restructuring of agriculture and industrial management of agriculture, and activating the rural market and made great contributions to promoting increase of agricultural production, farmers' income and rural development.

In Indonesia, co-operatives provide jobs to 288,589 individuals.⁹

In Malaysia, 6.78 million people or 27% of the total population are members of co-operatives.¹⁰

In India there are 610,000 co-operatives of all levels with 250 million members of primary co-operatives, covering 98% of all villages and generating 1.22 million direct jobs.¹¹

⁷ http://euricse.eu/sites/euricse.eu/files/wcm2013_web_0.pdf

⁸ <http://www.fairprice.com.sg/>

⁹ Source: Ministry of Co-operative & SMEs, Indonesia, 2004.

¹⁰ Source: Ministry of Entrepreneur and Co-operative Development, Department of Co-operative Development, Malaysia, Statistics 31 December 2009.

¹¹ <http://www.ncui.coop/pdf/Indian-Cooperative-Movement-a-Profile-2012.pdf>

What other donors (new and traditional) are doing in this area - the role of Australian co-operatives and mutuals in aid and economic development in Indo-Pacific nations

The internationally agreed Co-operative Principles commit the co-operative sector to the values of self-help, self-responsibility, democracy, equality, equity and solidarity. These case studies provide insight into the variety of development projects in Indo-Pacific nations that are currently funded and undertaken by Australian co-operatives and mutuals in pursuance of their co-operative values.

Myanmar Teachers Project

The Myanmar Teachers Project run by international development organisation CUFA is supported by Teachers Mutual bank, Queensland Teachers Mutual Bank and Victoria Teachers Mutual Bank. It is aimed at capacity building, enterprise development and self-help. The project benefits 22 schools, more than 150 teachers and around 5,500 children. The project is based on a sustainable funding model that ensures the whole community benefits and the capital is not eroded. This program is both improving children's education, and helping local businesses flourish in poverty-stricken Myanmar.

The CUFA partnership provides loan capital for 20 community credit unions that are run out of the local monasteries. This increase in the loan pool benefits 9000 members, providing capital for loans, so that members can build a house or a business and afford healthcare. The extra returns generated are then used to help pay teachers' salaries. By supporting the local workforce, the project helps boost Myanmar's overall economy whilst addressing the immediate problem – the provision of education.

Alternative Technology Association (ATA) – Village Lighting Scheme, Timor Leste

Australia's first mutual bank, bankmecu, supports a project to improve the living standards of remote communities in Timor Leste by providing cheap, green energy to households.

Since 2003, the ATA has been working with Timorese communities to provide clean, renewable lighting and electricity in East Timor, one of the poorest nations in the world. In much of the country there is no electricity, with people in rural villages relying on candles and polluting kerosene lamps for lighting and firewood for cooking. The village lighting project is delivered within a framework of community development and capacity building, ATA volunteers working with the local community to form a committee of management. Local technicians are trained to assemble and install systems and the committee collects funds to invest in future maintenance.

ATA technical trainers, in collaboration with training institutions in East Timor and with funding from AusAID, have developed a national curriculum and train-the-trainer material for solar power training. The Certificate II in solar installation is the first Certificate II training course to be recognised by the Timorese Government. The result of this training will be a cadre of technicians at the front line of bringing clean, green energy to rural Timor.

Credit Union Development Project – Laos

As part of their corporate social responsibility, Australian financial mutuals are committed to helping communities improve their economic wellbeing. Ten Australian credit unions and mutual banks¹² have partnered to undertake a community development project in Laos through the Asian Confederation of Credit Unions (ACCU) the peak trade and development organisation for credit unions in Asia (representing credit union associations in Cambodia, Myanmar, Nepal, Philippines, Timor Leste, Papua New Guinea and other Indo-Pacific nations). This project aims to empower community members through the provision of affordable financial services to 30,000 individuals and their families; financial literacy skills and to invest the savings of credit union members back to the same community to increase income and improve livelihoods. Training, resources and assistance in developing the Laos credit union sector and regulatory framework as well as secondary credit union associations are vital elements of the capacity building project.

The project does not require government funding and it has not been sought.¹³

Co-operative banking model – Bhutan

A group of Australian financial mutuals led by Community Mutual Group (with the support of bankmecu, SGE Credit Union, Maritime, Mining and Power Credit Union and Select Credit Union) have offered capacity-building, expertise and mentoring to assist the small country of Bhutan to establish a co-operative banking model and rural credit framework for their subsistence farming sector.

At present Bhutan, the country best known for its Gross National Happiness index, has five banks, three state run and two private, which largely operate in the cities and larger towns. This leaves small farmers, who make up 70 per cent of the population and live in small isolated communities without access to affordable finance. How to solve this issue for small farmers and women's groups has become a vexing question and co-operative development provides a solution that fits with the Country's guiding principles of creating a sustainable and equitable society that involves social development, cultural preservation, conservation of the environment and promotion of good governance.

¹² Bankmecu, Community Mutual Ltd, Encompass Credit Union, Fire Brigades Employees' Credit Union, First Choice Credit Union, Maritime Mining and Power Credit Union, My Credit Union, Select Credit Union, Sutherland Credit Union, WAW Credit Union Co-operative

¹³ Further information about ACCU is available at <http://www.aaccu.coop/>

Role of international co-operative businesses in development in Indo-Pacific nations

The co-operative sector is a global network of autonomous, private sector organisations, united by a set of internationally agreed principles of co-operation. When countries experience environmental, civil and other forms of disaster, co-operatives mobilise this vast network of organisations to deliver aid on the ground where it is needed. International co-operative organisations work with local partners to coordinate capacity building following emergency relief to enable the local economy to rebuild. The effectiveness of relief aid may be increased where local embeddedness and niche expertise can be mobilised. The International Co-operative Alliance (ICA) coordinated international relief programmes in the Indo-Pacific region following the 2004 Indonesian and 2011 Japanese tsunamis.

Rabobank Foundation¹⁴, Desjardins International Development¹⁵, and FC Barcelona Foundation¹⁶ invest in development so that people can become self-sufficient. Funding and support for projects which involve capacity building typically focus on the opportunity to create self-sufficiency, with the aim of improving the lives of underprivileged and disadvantaged people and reflecting the co-operative roots of the donor organisations by providing them with the opportunity to live full and independent lives.

For example, both Rabobank and the Rabobank Foundation are guided by the principles and philosophy of Friedrich Raiffeisen, who founded the co-operative banking movement more than a century ago. This means the Rabobank Foundation operates on a core set of values of working together, accepting responsibility and putting involvement into action.

Co-operatives place an emphasis on capacity building including the training of staff and the provision of technical assistance. The National Rural Electrical Cooperative Association (NRECA) International has established a rural electrification program in Latin America, Africa and Asia. NRECA International designed, constructed and operated hundreds of rural electrical utilities while building local institutional capacity to own and manage them. This program, initially funded by USAID, US Department of Agriculture, World Bank and local government agencies, has provided more than 100 million people in over 40 developing countries with access to safe, reliable and affordable electricity.

¹⁴ <https://www.rabobank.com/en/rabobankfoundation/index.html>

¹⁵ <http://did.qc.ca/en/>

¹⁶ <http://foundation.fcbarcelona.com/detail/card/foundation-fc-barcelona-who-we-are>

Additional partnerships, activities or financial instruments the Australian government could use to enhance the role of the private sector in development in the Indo-Pacific region

“In many countries of the world, the development of rural areas is actively supported by third sector organisations (TSOs) in the broad sense of the term, i.e., organisations representing neither for-profit firms nor governmental agencies. The key examples of these organisations include local community organisations, mutual self-help groups, rural and agricultural cooperatives, rural partnerships, and nongovernmental organisations (NGOs). TSOs affect the development of rural areas and agrifood chains in a variety of ways, e.g. by enhancing farmers’ market power (Hueth and Marcoul, 2003), articulating the political interests of rural populations (OECD, 2006), promoting the development of rural diversification (Renting et al., 2003; van der Ploeg et al., 2000), and delivering various rural services on a mutual self-help basis (Uphoff, 1993).”¹⁷

“The formation of farmer cooperatives as a means of increasing the bargaining power of smallholders and creating the social capital necessary for rural development has received renewed support from many international development organisations (International Labour Office Cooperative Branch 2002; United Nations General Assembly 2004).

Whilst private enterprise and democracy are high on the global political agenda, there is a growing awareness among policymakers that the trend towards decentralisation and reduction of government support services to the rural sector will not succeed without a corresponding strengthening of rural institutions and voluntary social organisations (FAO 1996).

Farmer cooperatives therefore represent a good unit of analysis to consider rural economic development, taking into account the importance of social interactions and social networks created within the local community of the members and between other groups and communities, government institutions and the private sector.

In recent years the Government of Vietnam has encouraged the formation of ‘new-style cooperatives’ as a key strategy for combating rural poverty as part of a broader rural development plan.”¹⁸

The experience of Indo-Pacific countries including Vietnam, which has experienced faster growth in informal collaborative groups, than co-operatives, is that the active support of NGOs with co-operative knowledge and the international co-operative movement with experience in co-operative development is indispensable for implementing the co-operative legal framework.

¹⁷ Iliopoulos, C and Valentinov, V (2009) “Toward an economics of the rural third sector”, Int. J. Agricultural Resources, Governance and Ecology, Vol. 8, Nos. 5/6, pp.439–456

¹⁸ Rankin M K and Russell I W (2014) “Building Sustainable Farmer Cooperatives in the Mekong Delta, Vietnam: Is Social Capital the Key? School of Natural and Rural Systems Management”, The University of Queensland, Australia

The International Co-operative Alliance (ICA) is a large non-government organisation, which provides a global voice and forum for knowledge and expertise related to co-operatives and the co-operative business model. The ICA members are international and national co-operative organisations from all sectors of the economy, including agriculture, banking and insurance and represent one billion individuals worldwide. With this strong membership base and expertise in operating successful, varied development projects around the world it is recommended that consideration be given to including input from this organisation (and its Asia-Pacific regional entity ICA Asia-Pacific) in the establishment of a knowledge bank of best practice for the implementation of development, international aid and disaster relief.

International co-operative development organisations such as the ILO Cooperative Branch, US Overseas Cooperative Development Council, and the United Nations Food and Agricultural Organization (Partnerships in Action) offer the opportunity for partnerships to enhance the role of the private sector in development in the Indo-Pacific region through co-operative development.

Legislative, institutional, social and policy constraints that may reduce the ability of private sector agencies to engage in development

Many primary co-operatives are isolated, particularly those situated in remote rural areas. Co-operatives need to establish business relationships with other co-operatives in order to share costs and risks and to innovate and develop new products. To do so they need technical help and some financial support from donor agencies, but donors can unwittingly cause damage by imposing their own values and ignoring the real needs of co-operatives.

Many NGOs do not understand the nature of co-operatives, and so are ineffective in developing genuine, member-controlled businesses. More finance is needed, but in the form of business loans and grants for in-kind services such as training and capacity building.

At the national level, where co-operative apex organisations exist, they should be strengthened and their capacity increased. Primary co-operatives should be strengthened both as associations of people and as businesses that exist to add value for their members. Governments should promote co-operatives in line with Recommendation 193, ensuring their autonomy.

Co-operative federations need strengthening in their capacity for engaging with government and policy-makers at national level. Where reform has stalled, the International Co-operative Alliance, International Labour Organisation, and other international agencies concerned with co-operative promotion can lobby governments to engage in a genuine reform process.

Case study

The Sanasa Development Bank in Sri Lanka shows what can be achieved when primary co-operatives and their federations decide to go to the next stage and own their own national bank. In Sri Lanka, there are rural co-operative banks attached to the multi-purpose co-operatives. One criticism made of such banks is that they tend to take savings from rural areas and lend to people in urban areas. The small, locally owned Sanasa societies are more effective at financing small business development in the rural areas.

Inherent risks related to current and possible future approaches to enhancing the role of the private sector in development, and their management.

For co-operatives in developing countries to make an impact on poverty and the Millennium Development Goals the wider environment is crucial. Many poverty reduction strategies neglect to mention co-operatives. This omission is now being rectified, and the importance of agricultural co-operatives and savings and credit co-operatives in particular is being recognised by governments. The creation and sharing of knowledge of co-operatives has become even more important in the wake of the global financial crisis. Recognition of their role in stimulating more sustainable patterns of growth is now growing.

Country-level improvements that guarantee peace, fair terms of trade and good governance, are also critical.

Recommendations

Co-operatives have an important role to play in accelerating the pace of economic growth and in reducing poverty in poor countries in the Indo-Pacific region because of their unique structure and operating principles. Aid investment and development that is enterprise based and capacity building, utilising co-operatives and co-operative approaches, assists in breaking the poverty cycle and helps to develop the private sector in poorer countries.

This submission argues, therefore, that co-operative development should receive greater attention in reassessing Australia's approach to aid and economic development, including the strengthening of partnerships with co-operative businesses, co-operative development organisations and country-level co-operative movements to deliver targeted aid and economic development in the Indo-Pacific region.

In particular, we make the case for the Government and donor agencies to review their knowledge of co-operatives and recognise them as autonomous, private sector organisations.

We argue that poverty reduction strategies should involve the co-operative sector and co-operatives should be given the financial support and capacity building to enable them to take part in the poverty reduction and economic development process in the Indo-Pacific region.

To enable partnerships with the co-operative business sector to be expanded and developed in the area of aid and economic development, the BCCM recommends:

1. Government, aid agencies, policy makers and development NGOs work with the BCCM and other co-operative and mutual bodies to ensure the co-operative business model and its role in economic development and poverty alleviation is understood.
2. Government and aid agencies always consult with the co-operative and mutual sector either directly or via peak bodies, when seeking to partner with the private sector to deliver aid and economic development in the Indo-Pacific region.
3. Government incentivises foreign aid investment by co-operative and mutual businesses through match funding or similar financial incentives.
4. That aid and economic development be directed to support local and country-level co-operative sectors in Indo-Pacific nations to stimulate inclusive growth and the development of local business ecosystems.
5. That Government and aid agencies consult and/or partner with local and country-level co-operative sectors to target aid more effectively, utilising the local knowledge, embeddedness and niche expertise of these organisations.
6. That consideration is given to including input from global co-operative bodies including the International Co-operative Alliance (and its Asia-Pacific regional entity) in assessing best practice for economic development, international aid and disaster relief.
7. That funding is available for research to measure the efficacy, return on investment (social and economic benefits to community) and the sustainability of co-operative development in Indo-Pacific regions.
8. To redress the disproportionate affect on women and children of poverty in Indo-Pacific nations, that Government supports projects that facilitate access to business advice, management training, and business capital for women to start up and strengthen their co-operatives in the Indo-Pacific region.