



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Submission to the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo Pacific and its role in supporting our regional interests

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About the BCCM

Formed in 2013 following the United Nations International Year of Co-operatives¹, the Business Council of Co-operatives and Mutuals (BCCM) is the peak body for Australian co-operatives, mutuals and member-owned enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms², and implementation of the Hammond Review recommendations to improve access to capital for CMEs.³

¹ See <https://social.un.org/coopsyear/>

² http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

³ <https://treasury.gov.au/publication/p2017-t235882/>

1 Introduction

This submission responds to all terms of reference, having specific regard to the role and implementation of:

- **Increased private sector and trade development outcomes**
- **Australia's aid program in fostering confidence, stability, sustainability, capacity, community-determined goals and best outcomes, particularly by utilising local procurement and smaller/local entities; and**
- **Business partnerships, social enterprise and community investment in delivering development outcomes, with a focus on local entities.**

Historical examples like Raffaisen Bank, which developed in the 19th century to give farmers access to credit, and contemporary examples like Cooperative Café Timor, a farmers' co-op formed in 1994 and now the largest private health services provider in Timor Leste, demonstrate the power of **the co-operative model** to realise community-determined goals, local economic development and local community investment.

Part of the power of the co-operative model is that co-operative enterprises are networked locally, nationally, regionally and internationally. **The co-operative sector** is a global network of 3 million businesses, with representative bodies and co-op funded NGOs engaged in enterprise development in partnership with governments and other NGOs.

The BCCM has provided further examples and discussion illustrating the potential of the co-operative model to deliver development outcomes in previous submissions to inquiries relating to aid and international development. We refer the Committee to these submissions:

- Submission to the inquiry into the UN Sustainable Development Goals
- Submission to the inquiry into the role of development partnerships in agriculture and agribusiness in the Indo-Pacific region
- Submission to the inquiry into the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region

This review of Australia's aid strategy in the Indo Pacific should recognise the alignment between the co-operative model and the co-operative sector and Australia's aid program's strategic objectives.

The BCCM would be pleased to attend a hearing to answer any questions the Committee may have about the matters raised in our submission.

2 Co-operatives and international development

Co-operatives are formed to pursue different purposes to investor-owned firms. Communities identify their needs and aspirations, and combine to form private-sector organisations for that purpose. They share ownership, control and wealth among their members, who may be customers, residents, employees, suppliers or a mix of stakeholders.

One in every six people on earth is a member of a co-operative. The top 300 co-operatives and mutuals globally have a turnover of \$USD2.1 trillion.

Through self-help and empowerment, reinvesting in their communities and concern for the well-being of people and the world in which we live, co-operatives nurture a long-term vision for

sustainable economic growth, social development and environmental responsibility. Reflecting the alignment between co-operatives and the UN Sustainable Development Goals, the theme for International Day of Co-operatives (7 July) this year is 'sustainable consumption and production of goods and services'.

3 Response to Terms of Reference

Implementation and efficacy of increased private sector and trade development outcomes

BCCM supports the Government's strategy of increased engagement with the private sector in aid and international development.

The BCCM has reviewed the recently published Performance of Australian Aid 2016-17 report and congratulates the Government on achieving the vast majority of its overseas aid program strategic objectives in 2016-17.

In relation to the 'Engaging the private sector' objective, the BCCM respectfully suggests that the Australian Government can further leverage its investment in aid and development through increased engagement with the Australian and international co-operative and mutual sector in partnerships to deliver development projects. In particular, the BCCM believes there is scope for more partnerships in enterprise development and in ensuring there is an enabling policy environment for private sector development (including co-operative development).

There is a growing desire in the region to incorporate co-operative models of enterprise into economic development strategies. The Melanesian Spearhead Group, for example, has endorsed co-operatives as crucial to economic development. Vanuatu has recently developed a Cooperative Policy (for 2017-2022) and has included co-operatives in the Vanuatu National Sustainable Development Plan 2017-2030. Vanuatu is of the view that 'in order to further develop skills and resilience within the Vanuatu economy, it is important to develop [the co-operative] sector.'

The global co-operative sector, including the Australian sector, is involved in extensive co-operative enterprise and policy development work in the Indo Pacific region. The following are some examples:

- National Rural Electricity Co-operative Association International (United States) supports the development and policy for electricity co-operatives. The BCCM has a memorandum of understanding with NRECA International for the development of electricity co-operatives in Vanuatu.
- National Co-operative Business Association (United States) works with USAID to support co-operative development in Asia. NCBA supported the founding of Café Cooperativa Timor.
- Agriterra (Netherlands) supports the development and professionalisation of agriculture co-operatives across the globe, most notably across Africa and South Asia.
- Australian Mutuals Foundation funds the development of credit unions in South East Asia in partnership with the Asian Confederation of Credit Unions, with notable examples in Laos and Myanmar.
- Australia's largest co-operative, CBH Group, has extensive involvement in the private sector throughout the region, through its joint venture, Interflour, including the operation of mills in Indonesia, Vietnam and the Philippines.
- The International Co-operative Alliance Asia-Pacific – European Union partnership aims to facilitate improved policy and regulatory robustness for co-operatives in the Asia Pacific region. The partnership has sought to promote greater discussion of co-operative policy in

the region, for example, through the hosting of ICA development forums in Colombo and Vanuatu in 2018, and the 10th Co-operative Ministers Conference in Hanoi in 2017.

- We Effect supports sustainable rural development and the growth of housing co-operatives in the Asia-Pacific region.
- The International Labor Organization supports development of export capacity in developing countries through formation of producer co-operatives. For example, the ILO works with fishers and other primary producers in northern Sri Lanka.
- The BCCM is Australia's national peak body for co-operatives and represents Australian co-operatives on the international stage. The BCCM is a member of the International Co-operative Alliance and has represented the ICA in co-operative policy discussions with the Melanesian Speahead Group, is a member of the ICA-AP multi-stakeholder council (consisting of co-operative bodies, NGOs and government representatives in the region) and has participated in co-operative development forums in the region (Colombo, February 2018; Port Vila, upcoming - July 2018). The BCCM is currently exploring opportunities to partner with the co-operative sector globally and in Vanuatu in enterprise and policy development.

The co-operative model and the co-operative sector deliver the following outcomes that align with the Government's strategic objectives:

- Development of agriculture and trade: co-ops increase ability of SMEs to engage in trade, provide economies of scale to SMEs, strengthen the independence and resilience of fishers and farmers, and help maintain local ways of life and autonomy alongside economic development
- Financial inclusion and access to credit: credit unions promote saving and thrift, promote financial literacy, share wealth equitably, develop financial markets (often in regions or among groups where there is simply no access to credit) and provide access to credit to SMEs for business development and growth
- Development of Infrastructure: co-ops are a vehicle for pooling community investment for essential infrastructure such as utilities, deliver essential services at the best value for the broader community of members, and can manage infrastructure efficiently and sustainably in thin or underdeveloped markets
- Engagement with local networks and providers: The co-operative sector is a network of 3 million businesses globally, with local, country and international level organisations that can partner in development projects. Because of its structure, the co-operative sector uniquely combines the ability to scale effectively with access to local knowledge and expertise.

The role of:

Australia's aid program in fostering confidence, stability, sustainability, capacity, community-determined goals and best outcomes, particularly by utilising local procurement and smaller/local entities; and

Business partnerships, social enterprise and community investment in delivering development outcomes, with a focus on local entities;

In relation to these terms of reference, the BCCM submits:

- Co-operative models and the co-operative sector can play a role in increasing the level of community determination in development projects. Broad-based local ownership and control (which are an integral part of the co-operative model) are important aspects of community determination.

- Co-operatives are a form of social enterprise that deliver economic and social value through community ownership and democratic control.
- The co-operative sector is a network of 3 million potential business partners for development projects.
- Co-operatives are ideal structures to pool community investment when the purpose of investment is not solely financial returns on investment.

4 Recommendations

The BCCM recommends that:

As part of its policy of engaging with the private sector representative bodies in the region on policy matters, DFAT engage with co-operative peak bodies at all levels on policy matters to understand the policy barriers to co-operative enterprise development in the Indo-Pacific region

The Australian Government (for example through the InnovationxChange) should explore piloting a co-operative enterprise development project in partnership with the Australian and global co-operative sector via the Business Council of Co-operatives and Mutuals and the International Co-operative Alliance as country and global peak bodies respectively.