

Raiffeisen

Today

*An excerpt from the lively
exchange of the IRU members*



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He never travelled the world – but his idea did!

Appointed mayor for the first time, Friedrich Wilhelm Raiffeisen began to show his persistent passion for finding new ways to ease people's hardship through self-help and personal responsibility. He continued this work and developed his own credit institution to relieve the suffering of the rural population. On his way, he was supported by the Agricultural Association for Rheinpreussen and the Count of Wied and his work grew into developing cooperatives. Raiffeisen devoted all his time and energy to this work – even after he had lost his eyesight – until his death in 1888. These establishments were one of the seeds of today's global cooperative system.

1818 March 30

Birth of Raiffeisen as the seventh of nine children in Hamm (Sieg)/Germany.

1835–1843

Military service in Cologne, Coblenz and Sayn, which he had to leave because of an eye complaint.

1843–1845

Works as administrative officer at the Coblenz District Administration.

1845

On January 15, he is appointed mayor of Weyersbusch, a poor rural region in the Westerwald. He initiates the construction of a school building and promotes the construction of a street connecting the Westerwald and the river Rhine to enable a better sale of agricultural products.

1846

After a poor harvest and exploding food prices, Raiffeisen founds the "Weyerbuscher Brodverein" (Weyerbusch's Bread Association) – initially to distribute food, later for the joint receipt of seeds and potatoes. Soon afterwards, the communal baking house is built – one of the first institutions to resemble a cooperative.

1848

On March 22, Raiffeisen is appointed mayor of Flammersfeld. One year later, he founds the "Flammersfelder Hilfsverein" (Flammersfeld's Helping Association) for the support of farmers in need, the first German association with joint liability.

1852

On August 24, he is appointed mayor of Heddesdorf and founds the "Heddesdorfer Wohltätigkeitsverein" (Heddesdorfer Charity) two years later. This institution cared for neglected children, poor farmers, former prisoners and the establishment of a credit bank for people in need. In the following years, he founds several "Darlehenskassenvereine" (Savings and Loan Associations) where membership was obligatory for the borrowers. These are considered to be the first real cooperatives.

1865

For health issues, Raiffeisen is forced to step down and retire from his position as mayor.

1866

With the significant support of his daughter, Amalie Raiffeisen, he publishes his book "Die Darlehnskassen-Vereine als Mittel zur Abhilfe der Noth der ländlichen Bevölkerung" (The Savings and Loan Associat-

ions as a Means of Relieving the Hardship of the Rural Population). The book is a complete success. Only four years later, already 75 such associations exist in the Prussian Rhine Province.

1874 onwards

In the following years Raiffeisen founds many more institutions and creates structures up to the national level, such as the "Anwaltschaftsverband ländlicher Genossenschaften" (Advocacy Federation of Rural Cooperatives) as a central institution for savings and loan associations.

1888

On March 11, Friedrich Wilhelm Raiffeisen dies in Heddesdorf.

Preface

In September 2018, 160 representatives of the cooperative world met in Koblenz/Germany to celebrate the 50th anniversary of the IRU International Raiffeisen Union and the 200th birthday of Friedrich Wilhelm Raiffeisen. The anniversary event at Fortress Ehrenbreitstein showed the diversity of a worldwide cooperative practice, but also the common basic principles that unite all cooperative organisations.

Until today, Raiffeisen's idea from the 19th century is alive and reflected in the membership structure of the IRU. In order to find out how the cooperative idea and the Raiffeisen principles are understood and practised in the different countries, this publication takes a look at the work of individual organisations, including the context of the respective country.

At the beginning, the publication explores the relevance of Raiffeisen and his work from the 19th century for the economy and society of today. Not only cooperatives in traditional sectors such as agriculture and banking go back to Raiffeisen, but also new forms of entrepreneurial cooperation and the sharing economy are based on cooperative principles. Friedrich Wilhelm Raiffeisen as a social innovator - yesterday, today and tomorrow!

Thereafter, the book shows how cooperatives can support the realisation of the Sustainable Development Goals agreed in 2015 by the United Nations. The contributions from 14 countries form a

Franky Depickere / Andreas Kappes

broad range of topics and at the same time the core of the publication. The final article highlights how the cooperative principles have found their way into today's cooperative legislation.

"Raiffeisen Today" is not an academic treatise, but an excerpt from the lively exchange of the IRU members. The contributions are as diverse as our members. That is exactly what makes our organisation! We show ourselves in our differences, but what unites us – our common ground – is Raiffeisen and his timeless principles.

For half a century now, the IRU has followed its mission to carry the cooperative idea of Friedrich Wilhelm Raiffeisen into the world and to bring together organisations that work according to his principles, to promote their exchange and to initiate joint activities.

50 years of the IRU - that is a success in itself. And yet: the world has changed since the IRU was founded. Digitalisation opens up new possibilities for communication and data storage. Countries and continents are moving closer together. International exchange and cross-border cooperation are being revolutionised.

The General Assembly in September 2018 instructed the responsible bodies of the IRU to revise and further develop the IRU strategy for the coming years, to adapt it to current circumstances and to create the greatest possible added value for its members. The exchange of experience among each other and cooperation with new partner organisations must continue to be stimulated, redefined and redesigned.

The IRU can and will succeed in strengthening its unique network character. It must also explore partnerships with other networks, so that mutual synergies can arise.

In the future, we will continue to follow the cooperative principles once laid down by Friedrich Wilhelm Raiffeisen for the foundation and management of loan societies. They are timeless, giving orientation and security to our cooperatives and each individual, then, now and in the future.

Leuven / Bonn in September 2019
IRU – International Raiffeisen Union e. V.



Franky Depickere
President

A handwritten signature in blue ink, appearing to read 'Franky Depickere'.



Andreas Kappes
Secretary General

A handwritten signature in blue ink, appearing to read 'A. Kappes'.

Raiffeisen today

Hans Groeneveld

1.1 Introduction

This contribution explores the meaning, value and applicability of Raiffeisen's ideas in modern times. To come right to the point, the traces of Raiffeisen's footprints are still clearly visible in many economic sectors, both in Europe and elsewhere. This does not only hold for the agricultural and financial sector which had Raiffeisen's attention. Looking at recent literature, listening to current politicians and/or trend watchers, reading recent policy reports, and observing many mature and large rural and financial cooperatives and a boom of – new types of – cooperatives in 'new' sectors, one has to conclude that his notions are by no means old-fashioned or outdated, despite the fact that they were formulated such a long time ago. Interestingly, it appears that his principles were picked up, transposed, or reformulated to address economic and social issues prevailing today.

The article is structured as follows. Section 1.2 investigates the legacy and contemporary relevance of Raiffeisen's ideas in the food and agricultural (F&A) as well as banking sector in Europe and other parts of the world. Each subsection begins with an exploration of Raiffeisen's footprint in these sectors in Europe. The second part discusses the applicability of his concept in rural and finan-

cial sectors in other countries. Section 1.3 looks at the re-appearance of Raiffeisen and his ideas in trending policy and academic discussions and publications. Section 1.4 sketches the global potential for cooperatives. A brief section concludes.

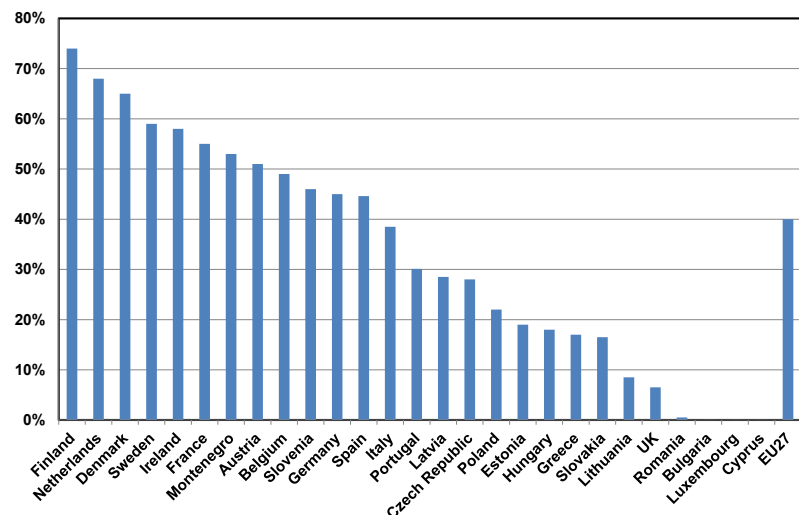
1.2 Raiffeisen's cooperative fields of operation

1.2.1. Rural cooperatives

It is interesting to look at the market position of food and agricultural (F&A) cooperatives in the European agricultural and banking sector today. For the majority of current F&A cooperatives, one cannot claim that they either directly originate from or are exactly modelled on Raiffeisen's ideas: the origin and intensity of the cooperative tradition differ across EU countries. Be that as it may, an extensive EU-wide study in 2012 (Bijman *et al.*, 2012: Support for Farmers' Cooperatives"; SFC) revealed that the cooperative form is the most popular business organisation in the European F&A sector. Figure 1 displays the relative importance of F&A cooperatives in all EU Member States, based on the "SFC Cooperative Index": the estimated market share of all cooperatives at farm gate sales level weighted for eight sectors.¹

1 Sheep meat, olives, wine, cereals, pig meat, sugar, dairy, fruit & vegetables.

Figure 1:
Market share of agricultural cooperatives, per EU country, 2010



Source: European Commission's report on 'Support for Farmers' Cooperatives' (2012, p. 28).

The figure evidences that there are large differences between Member States. F&A cooperatives have reached dominant market positions in countries like Finland, the Netherlands and Denmark, but have much lower market shares in countries like Estonia or Spain. The average market share of all F&A cooperatives in the EU equals 40%. On the whole, they are crucially important business organisations for European farmers. Most farmers are members of at least one cooperative, and even non-members trade with them or benefit from the presence of cooperatives in particular markets. However, this fact is not much prevalent in agricultural statistics and research.

Though it is tempting to conclude that Raiffeisen's main mission is – virtually – completed in agricultural Western Europe by now, the rural population in many other parts of the world still encounter financial exclusion and poverty, partly due to unscrupulous usurers. In fact, farmers in European countries were in the same situation as many farmers in emerging and developing countries (EDCs) are today. They were farming on small plots, had little or no access to financial services and no bargaining power due to small production quantities. Moreover, the F&A supply chain was very fragmented. Hence, F&A cooperatives in EDCs could in principle deliver market improvements and increases in revenues for farmers as their mature counterparts in the western world have been able to achieve for their members. Obviously, new cooperative enterprises face completely different market circumstances and dynamics than their western counterparts many decades ago. Times have changed. Markets are increasingly globally oriented, technologies are very complex and alter rapidly, and a much more rapid development of newly established cooperative enterprises into larger, market-oriented, professional and well-managed organisations seems recommendable. Past experience in Europe learns that sufficient scale and/or a strong umbrella organisation, which can help remove high transaction costs for new (and fragile) cooperative enterprises, might yield additional advantages for the members of the primary cooperatives. In fact, Raiffeisen already recognised the benefits of the

establishment of APEX organisations to assist and serve primary or, equivalently, grassroots – F&A or credit – cooperatives a long time ago.

The European F&A history clearly demonstrates that collective self-help, self-responsibility and self-governance were the keys to success of F&A cooperatives. Raiffeisen's formula seems equally well-suited to combat critical economic impacts and their social consequences, i.e. poverty, distress and indebtedness of farmers, by new and existing F&A cooperatives in EDCs. In this respect, it is widely accepted that agricultural development functions as a fundamental catalyst for economic development, poverty alleviation and reducing malnutrition (World Bank, 2008). Today, only one third of the smallholder farmers in emerging and developing countries takes part in some form of group enterprise. Increasing the degree of organisation could lead to considerable benefits for many smallholders. 85 percent of the world's 460 million farms are small-scale, of less than two hectares. By joining farmers' interest organisations, they would be able to upscale their production well above household subsistence levels, thereby producing marketable surpluses. Productivity growth in F&A is also needed to address one of the most urgent global challenges for mankind: food security and the food supply chain. These issues are becoming increasingly pressing in light of the predicted increase in world population to around 10 billion in 2050.

At this point, it is relevant to recall three additional practical lessons learned by Raiffeisen that are of great interest for new and incumbent F&A cooperatives in EDCs. Firstly, he recognised that those who need cooperatives most, are usually the least able to establish, maintain and manage one. Hence, F&A cooperatives in EDCs would benefit from the participation and involvement of all classes in society, i.e. small and large farmers, local notables and elites. Every member of the cooperative should have 'something' to pool and should not be dependent on others for its survival. The question should not be how cooperatives can help the poor and disadvantaged, but how the poor and disadvantaged can help themselves by forming or joining cooperatives. The latter aspect is linked to

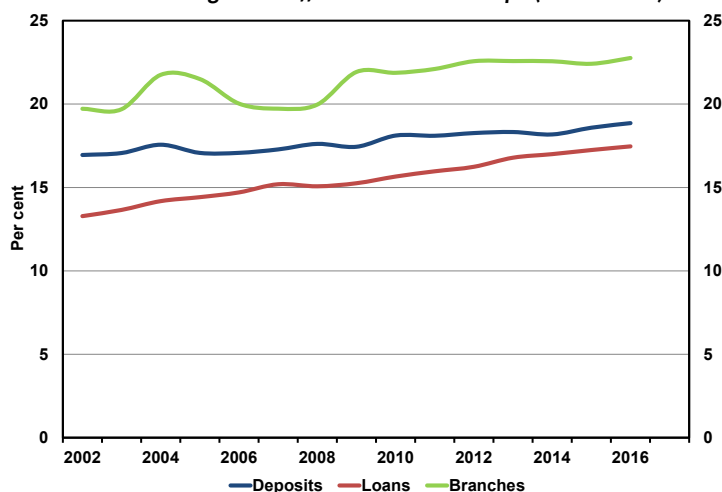
another personal experience. Raiffeisen lost confidence in charity and donations to fulfil economic and social needs. He concluded that philanthropy was not effective and not self-sustaining; it does not stimulate people to take control of their own destiny. 'Free' external help to – members of – F&A cooperatives should only be based on the motto: *'So jemand nicht will arbeiten, der soll auch nicht essen'* ('If a man will not work, he shall not eat'; Raiffeisen, 1866). Self-help became his adage. The third insight is that F&A cooperatives can serve multiple objectives. F&A cooperatives do not just bring about economic benefits for individual farmers, but can also increase their collective capacity and sustain a kind of rural social order. Put differently, they could be effective institutions to strengthen and (re)invigorate local communities.

1.2.2 Cooperative banks

The facts and figures reported below show that the legacy of Raiffeisen is very much alive in European banking to date. To begin with, a number of contemporary European cooperative banks still bear his name. Looking at the list of current IRU members, we count eight European cooperative banking groups that 'descend' from his ideas (but were logically founded by national pioneers of cooperative banking) and were originally linked with the agricultural sector.² The long and rich history of these financial cooperatives demonstrates their ability to adapt to changing circumstances, to surmount challenges and to re-invent themselves all the time. It must be noted that all cooperative banks have followed divergent evolutionary trajectories, because they – had to – operate in different political, geographical, legal and regulatory contexts. However, there are various features that from the very beginning characterised credit cooperatives and still distinguish the descending business model. The most important

of these timeless characteristics – as already formulated by Raiffeisen – are democratic governance (i.e. bottom up structures) and mutualism.

Figure 2: Average domestic market shares of eight 'original' Raiffeisen banks in Europe (2002-2016)



Source: own calculations based on data of eight European cooperative bank members of IRU, the European Central Bank and Swiss National Bank.

An important indicator for the attractiveness and appreciation of cooperative banks is the evolution of the member base, given that membership is not required to be served by a cooperative bank anymore. Based on our data collection, we observe a spectacular increase in the member base of these banking groups. The number of members surged from 25 million in 2000 to more than 33 million in 2016, i.e. a rise of 33 per cent. In relative terms, their member expansion is equally impressive: the ratio of the total number of members to total population grew by almost 3 percentage points and currently equals 13 per cent. The rising number of members resulted in strengthened market positions over the past fifteen – turbulent – years. (see Figure 2). We could not plot the average F&A market share in the Figure due to missing data. For cooperative banks that do report these figures, we found that their F&A market share lies far above their overall loan and deposit market share. Cooperative banks clearly still play an indispensable

² Austria: Raiffeisen banks; France: Confédération du Crédit Mutuel; Germany: Bundesverband der Deutschen Volksbanken und Raiffeisenbanken; Italy: FEDERCASSE; Luxembourg: Banque Raiffeisen; Netherlands: Rabobank; Switzerland: Raiffeisen Schweiz; Portugal: FENACAM.

role in financing agricultural and food industries throughout Europe.

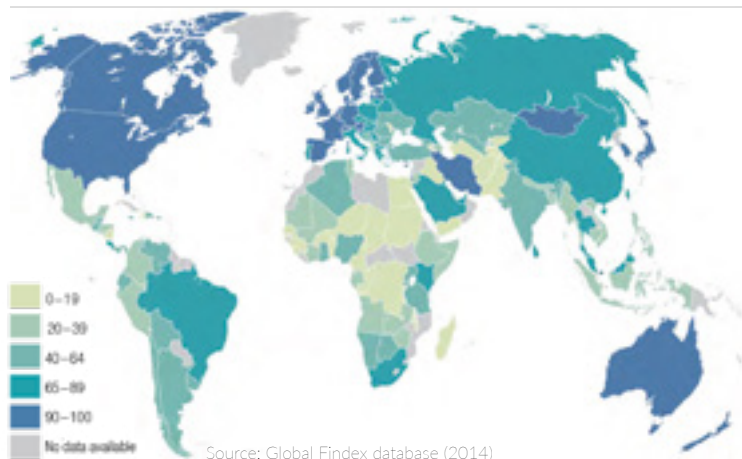
The collated data underline their vitality and vibrancy. Note that they gained market share before, during and after the Great Financial Crisis (GFC). They were hardly affected by the GFC and the subsequent economic and sovereign debt crises in the EU, whereas many large listed banks in Europe needed some form of state support to survive. Hence, Raiffeisen's philosophy has definitely not outlived its attractiveness and usefulness in European banking. His principle of 'locality' has remained visible as well at cooperative banks: the average branch market share considerably surpasses the average loan and deposit share. This signifies their decentralised structure and territorial proximity, combined in most banks with an integrated cooperative system and internal solidarity arrangements to avoid the failure of an individual cooperative bank. Customers benefit from the commitment of these cooperative banks to remaining locally based, keeping a relatively extensive branch network, and maintaining a high level of lending to local small and medium-sized businesses as well as the agricultural sector during an economic slowdown or credit crunch, thanks to good capitalisation (Groeneveld, 2018).

As will be elaborated in other parts of this publication, many trends and events have necessitated frequent adjustments of the governance and organisational structures of cooperative banks. They do not look and operate like the original local credit co-operatives from the remote past. As a consequence of changes in society and national economic structures, cooperative banks began to service other client groups and businesses, opened up membership for non-agricultural customers and private individuals and abolished membership requirements for customers applying for a loan in the 1960-1970s. Nowadays, cooperative banks serve large numbers of non-members. Fur-

thermore, the roles and responsibilities of the central organisations of cooperative banking groups have gained in importance over time, largely due to the increase of non-traditional activities in co-operatives and the actions of regulators and rating agencies.

In section 1.2.1, we briefly sketched the opportunities for rural cooperatives in EDCs. However, as Raiffeisen already acknowledged, it is hardly possible to stimulate rural development and/or F&A cooperatives without addressing the issue of rural finance development. Both aspects are intertwined. The viability and growth potential of rural cooperatives will be severely tempered if they, and their members, would encounter high barriers to access financial services. This would also impede general economic and social progress. Hence, a well-functioning rural finance system is a necessary ingredient for rural economic growth. The point is that financial access is still not self-evident in many parts of the world. In a recent publication, the World Economic Forum (2018) estimates that 2 billion adults currently lack access to basic financial services and many more are underserved. Based on immense research, a world map with bank account penetration is constructed (see Figure 3). Not surprisingly, account ownership varies widely around the world. In high-income OECD economies, account ownership is almost universal: 94 per cent of adults reported having an account in 2014. In developing economies only 54

Figure 3: Bank account holders (as % of total population)



per cent did. There are also enormous disparities among developing regions, where account penetration ranges from 14 per cent in the Middle East to 69 per cent in East Asia and the Pacific.

The present reasons for financial exclusion sound strikingly similar to those heard in rural Germany around 1850. Global surveys indicate that 59% of adults without an account cite a lack of enough money as a key reason, which implies that financial services are not yet affordable or designed to fit low income users. Other barriers to account-opening include distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion. Moreover, around 200 million formal and informal micro, small and medium-sized enterprises in emerging economies lack adequate financing to thrive and grow. According to the World Bank (2008), closing the financial exclusion gap is vital to spurring economic growth, alleviating extreme poverty, and boosting shared prosperity. Financial inclusion is actually identified as an enabler for 7 of the 17 so-called Sustainable Development Goals. In a supportive enabling environment, there are certainly good opportunities for cooperative financial institutions and for networks of savings and credit cooperatives in EDCs. In sum, financial players based on the original principles of rural credit cooperatives can undoubtedly contribute to the elimination of financial exclusion worldwide and bolster rural development. At any rate, these initiatives should appreciate the critical component of self-help.

1.3 Modern re-interpretation and re-appraisal of Raiffeisen's ideas

1.3.1 Raiffeisen as social innovator

Recently, the work and achievements of Raiffeisen are re-interpreted or framed within a completely new context. With the benefit of hindsight, Fairbairn (2017) asserts that Raiffeisen can be qualified as a true 'social innovator': he found a solution to a social problem, and society as a whole

was the main beneficiary. On the one hand, Raiffeisen worked in many ways within existing social institutions. At the same time, his desire to meet economic and social needs drove him to create new forms of action and organisation that resulted in social innovation. His process of 'trial and error' illustrates that social innovation in fierce transitional eras depends critically on values, will, a readiness to experiment, flexibility and an ability to find allies. These personal qualities enabled Raiffeisen to break through existing institutions to initiate large-scale processes of social change.

The mentioned qualities provide new insights for social-innovation research and policy. The message is that social innovation is a context-dependent and institutionally embedded process and may even sometimes have a profounder impact on society and economy than the generally prevailing one-dimensional focus on technical innovation. Social innovation cannot be standardised and is not universal. Each pressing social issue in specific times, specific places, specific cultures and mentalities requires a different solution and individuals having the same qualities and perseverance as Raiffeisen.

The collaborative economy and the increasing European policy attention for social innovations are without any doubt topical manifestations of Raiffeisen's ideas and approach, though the advocates are not always referring to his legacy. The European Union has recently defined social innovation as '*... new ideas, that meet social needs, create social relationships, and form new collaborations. These innovations can be products, services, or models addressing unmet needs more efficiently*' (European Commission, 2014a). Raiffeisen's activities and purposes were fully in line with this definition. He was a social innovator *avant la lettre*.

1.3.2 Social capital

About twenty years ago, some timeless characteristics of cooperatives appeared as key elements in a new interdisciplinary academic strand centred around the concept of 'social capital' (Putnam, 2000). Social capital generally refers to anything that facilitates individual or collective

action, generated by networks of relationships, reciprocity, trust, and social norms. People who are part of these networks are inclined and prepared to do things for one another. Like cooperative pioneers elsewhere, Raiffeisen was explicitly aiming at knitting strong interpersonal ties in local communities. He strongly believed in what is now called ‘social capital’ to meet economic and social needs. Many years later, the literature has theoretically and empirically formalised that trust is both a condition for and a consequence of co-operation and involvement in networks. In other words, social capital and cooperatives are closely connected. Actually, cooperatives can be qualified as social-capital based organisations.

Hence, trust and social capital are indispensable for the creation and subsequent prosperity of cooperatives. Without exception, all cooperatives are/were established by a network of people with common social and economic needs. Cooperatives are usually set up as small scale and locally oriented enterprises by members who know each other and have fairly homogenous interests. The homogeneity of member interests and a high level of trust among members render cooperatives effective instruments of collective action. Initially, cooperative firms have a transparent and manageable structure. When they are small, they can be governed like partnerships. This is likely to change when cooperatives (i) open up their membership to population groups with different backgrounds, i.e. cooperatives have to cope with more heterogeneous member preferences, (ii) increase the scale and/or scope of their (non-)cooperative activities. In the latter cases, it is objectively becoming more difficult to sustain a critical level of active member participation as these cooperatives generally shift to a governance system based on delegated representation or an elected non-executive board that appoints and monitors professional managers.

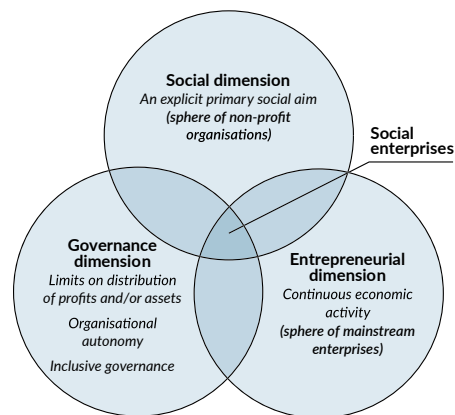
Based on a survey of sixty large and mature cooperatives, Birchall (2017) concludes that an important success factor for large and complex cooperatives is the design architecture of their governance. He states that the governance structure of a large cooperative has to foster three sets of

relationships: between members and the – elected – board, the elected board and the managers, and the managers and the employees. Note that these relationships are basically about mutual confidence among all stakeholders that their individual objectives of the cooperative are fully aligned.

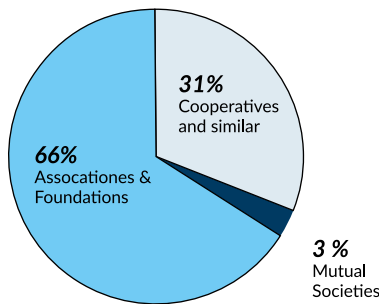
1.3.3 Cooperatives as social enterprises in the modern social economy

Over the last two decades, a ‘new’ organisational concept has rapidly become fashionable: the social enterprise (see Borzaga and Defourny, 2001). Upon closer inspection, this construct bears a close resemblance to the cooperative concept which gradually evolved in the 19th century. The European research network EMES employs nine criteria for identifying social enterprises, grouped into three blocks: the economic and business dimension, the social dimension and the participative governance dimension (Figure 4). It defines social enterprises as organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socio-economic activity. We conclude that the inventors of the social enterprise concept have – perhaps unintentionally or unconsciously – rephrased and transposed Raiffeisen’s ideas in a modern way.

Figure 4: The three dimensions of a social enterprise



Source: European Commission (2014b).



The notion of social enterprises currently enjoys great political attention and is firmly embraced by the European Union (EU). The deep economic and financial crises in the EU around 2011 triggered this interest. At that time, many joint stock firms failed and unemployment rates rose to exceptionally high levels in many EU countries. Governments acted as temporary shock absorbers by increasing their expenditures. This led to surging deficit and debt levels that triggered comprehensive austerity measures which in turn pushed many countries in a severe economic recession. Policy makers started to look for alternatives to investor-owned businesses. The interest in social enterprises was further boosted by research and data confirming their steady growth rate that has shown good resilience to the crisis (EU, 2014b).

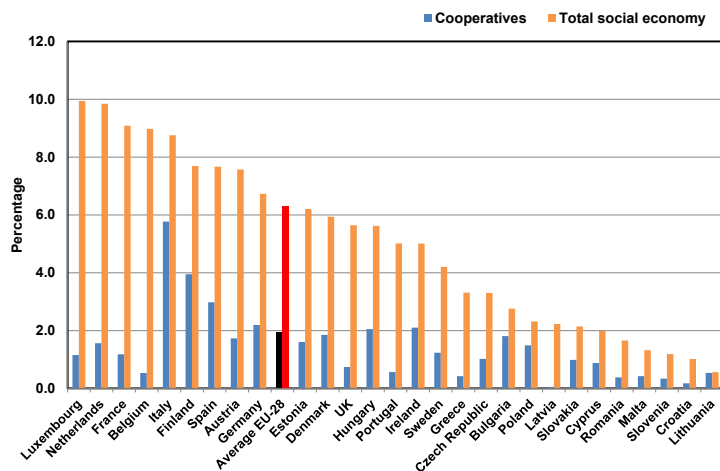
Nowadays, the EU regards social enterprises as fundamental pillars for the so-called social economy (abbreviated as SE; European Economic and Social Committee [EESC], 2017). Leaving aside the details, the SE comprises two sub-categories: a) the market or business subsector and b) the nonmarket producers' subsector. The market subsector of the SE is made up, essentially, of cooperatives, mutual insurance and mutual provident societies, company groups controlled by social economy organisations and other similar enterprises and certain non-profit institutions at the service of social economy enterprises.

Conservative estimates by the EESC indicate that the SE currently provides at least 14 million paid jobs

in Europe, accounting for 6.5% of the total working population of the EU-28. The pie chart shows that employment in cooperatives resemble around 31 per cent of all SE jobs. Including both paid and non-paid employment, the SE has a workforce of over 19.1 million, with more than 82.8 million volunteers, equivalent to 5.5 million full time workers. Cooperatives, mutuals and similar entities have more than 232 million members. Finally, the SE encompasses over 2.8 million entities and enterprises. Despite this size, the SE remains invisible in national accounts, a hurdle that constitutes a major challenge to emphasise the importance and relevance of the SE.

Measured in terms of employment, Figure 5 depicts the state of the SE as well as the cooperative sector in each EU country and thereby offers an international comparison. These weights are the lower boundaries of the true shares of SE employment due to incomplete underlying statistical information sources. Apart from this general remark, the small employment shares of the sub-sector cooperatives underestimate the 'presence value' or the impact of this sector on general market conditions and society. For instance, workers in cooperative firms are dedicated to meet the social and economic needs of astonishing numbers of members.

Figure 5: Share of cooperatives and entire social economy in total employment per EU country



Source: own graphic representation of data published in EESC (2017, p. 68-69)

Looking at the bars in the figure, one immediately observes large variations in the SE landscape across EU countries. While SE employment accounts for between 9% and 10% of the working population in countries such as Belgium, Italy, Luxembourg, France and the Netherlands, in the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia the SE remains a small, emergent sector, employing under 2% of the working population. The large share of cooperative employment in Italy clearly stands out. This mirrors the existence of many employee cooperatives, which are not so common in other EU countries.

The SE is seen as a cornerstone not only for jobs and social cohesion throughout Europe but also for building and consolidating a European Pillar of Social Rights. The SE is also praised for its ability to create genuine interdependence between economic and social issues rather than making one subordinate to the other. The EESC states that the SE is a model of resilience, and usually continues to prosper while other economic sectors are struggling. Within this concept, social enterprises like cooperatives reflect the need for an economy that reconciles social, economic and financial dimensions, that is able to create wealth and that is not measured solely in terms of its financial capital, but also – and above all – by its social capital. These remarks about the advantages of social enterprises in the SE surely resonate Raiffeisen's conviction.

1.4 Outlook for cooperatives

Two centuries after his birth, the Raiffeisen idea is still inextricably linked with cooperative basics of self-help, self-responsibility and self-governance and the possibilities to work together for a better existence for all. The previous sections already hinted at great opportunities for cooperatives based on the ideas of founding fathers like Raiffeisen. In principle, the cooperative organisational form is suitable for virtually all economic sectors in many countries. New cooperatives

could be established in all sectors and in every country around the world where 'unmet' needs exist in the eyes of potential members. In both developed and developing societies, not everyone has easy access to certain products or/and services or is able to fully participate in society. Or some population groups are on the brink of being deprived from essential services or struggle to achieve or maintain a basic living standard. This could be due to many factors, like changing government policies, weak or eroding social security, health care and education systems, etcetera. Obviously, unmet needs differ considerably across population groups, economic sectors, countries, as well as over time. Besides, the economic, legal and cultural structures and development phases of countries deviate widely. This implies that the potential for various types of cooperatives varies across countries and continents, too. The bottom line is that some people may find themselves in a comparable situation as the rural population in Europe in Raiffeisen's days. If this is the case, the individual and collective welfare and wellbeing of people with common interests/issues or exclusion threats in the broadest sense of the word could be enhanced by the creation of a mutually owned firm. A cooperative enterprise could also facilitate risk diversification and the realisation of economies of scale and scope, etcetera.

At this point, it should be realised that such an aspiration, i.e. a perceived need, is not a sufficient condition for the propensity to set-up and develop a viable cooperative and to become and stay a member. The availability or eligibility of the cooperative model to potential members depends on the entire spectrum of 'institutions' (norms, values, attitudes) as well as the institutional environment in a particular country (Groeneveld, 2016). In a supportive external environment, cooperatives can thrive because people are attracted to join and shrink if membership does not entail advantages exceeding (im)material contributions. Apart from a conducive environment, the ultimate success and viability of each cooperative depend on the functioning of its internal governance, operating efficiency, strategic vision and the quality of the products and services and level of

satisfaction of their members, i.e. the perceived member value. One dimension of the internal success factors deserves explicit mention: cooperatives require financial capital for start-up and for potential subsequent growth, typically from members but that source is not always sufficient or available at the levels needed. An adequate capitalisation policy and/or gaining access to capital sources is key for a cooperative's viability and survival. An extensive global survey commissioned by the International Cooperative Alliance (2014) concludes that the bottom line for a sound capitalization policy is that cooperatives must be profitable and should not pay out all annual profits as dividends to members. Note that this corresponds exactly with Raiffeisen's preference to capitalise rural and credit cooperatives.

As demonstrated by the current policy attention for social enterprises, cooperatives fit perfectly in the new zeitgeist. The popularity of the cooperative business model rose indisputably after the outbreak of GFC in 2007. This turmoil positively affected the opinions and views about cooperatives among policy makers, regulators and academics. The shifting mind-set was partly based on 'hard' evidence that cooperatives in general had significantly outperformed firms with other organizational forms after the GFC and the following recessions (Birchall *et al.*, 2009). As documented in Michie *et al.* (2017), they were able to create and preserve employment at times when other types of enterprises shed jobs. This observation casted doubt on the validity of the mainstream view in economic manuals and policy debates which prevailed for many years.

The chances that the 'old mainstream view', which discriminated against non-archetypical enterprise forms, will resurface again have abated. The United Nations did not declare 2012 as International Year of Cooperatives just for the sake of it (United Nations, 2011). In addition, international consultancy firms now show serious interest in the merits and characteristics of the cooperative business model; cooperatives had hardly been on their radar for many years. In academia, the

interest has rebounded to the benefit of 'member-owned' organisations in recent years (Michie *et al.* [Eds.], 2017; Karafolas [Ed.], 2016). Another irreversible milestone is the recognition of the cooperative idea as an Intangible Cultural Heritage of Humanity by the UNESCO (United Nations Educational, Scientific, and Cultural Organization) in 2016. This confirms the timeless nature and global applicability of the cooperative organisational form.

Not just in academic and policy circles, but also in practice one can observe many signs of vitality and innovation in the cooperative sector. For instance, two new types of cooperatives have recently arisen in several countries both within and outside Europe over the past decade. The first category concerns cooperatives with specifically declared *social* goals which spouted up as pure bottom-up phenomena.³ According to trend watchers and academics, this development reflects that more and more people are turning their back on the one-dimensional focus on narrow, measurable outcomes and have enough of paralysing bureaucracy that have taken away their autonomy and responsibility. They want to take back control of their own lives and the organisation of local livelihood, i.e. reducing the democratic deficit.

The second category of a new sort of cooperative that is spreading today in many parts of the world originates from civil initiatives to establish cooperatives with a community focus. In Europe, market liberalisation has been a major impetus for the entry of new cooperative providers into public services. Outside Europe, this phenomenon is particularly present sectors related to energy and – rural – water systems. However, the cooperative form is increasingly in the picture as a partial solution for failed privatisations of public utilities and services like waste disposal sites, incinerators, nuclear power plants, etcetera. These cooperatives do not need to compromise their level of service to make a profit for investors. In addition, these cooperatives can be designed so that multiple groups are represented in their boards of directors (i.e. a multi-stakeholder cooperative).

³ Other contributions in this publication report various national case studies of cooperatives in the areas of energy, health care, care giving, education, employment and housing.

1.5 Concluding remarks

This article intended to get across the point of the viability, diversity and versatility of member-owned businesses two centuries after Raiffeisen's birth in general terms. The following contributions contain ample evidence of their proven ability to address basic human needs in a way that includes also the more vulnerable segments of society. Moreover, these case studies by country and sector showcase the ability of cooperatives to adapt to contexts that can be very different in terms of economic, social and cultural conditions, and to provide a large variety of goods and services operating in sectors ranging from agriculture to banking (i.e. Raiffeisen's sectors), from social services to consumer goods, etcetera.

Looking ahead, it seems important that cooperatives explain their identity if they are to avoid misuse of the form, and risk undermining its reputation and credibility. Moreover, it is crucial that cooperatives continue to make the case for their model in contrast to a capital-based model. In this respect, it is indispensable to bring the cooperative alternative to the attention of younger generations. Technology has opened intriguing new opportunities to reach these population groups and exemplifies the benefits of collaboration, not necessarily linked to physical proximity. Another theme enabling cooperatives to demonstrate their eligibility to address pressing questions is the concern about growing income and wealth disparity between and within countries (Piketty, 2014). The sustainable profile is viewed as another big asset of cooperatives. Cooperatives often allege that they are by design inclined towards a high level of sustainability in environmental, social and economic respects. Of course, they need to meet these expectations and claims in practice.

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Cooperatives and Sustainable Development Goals (SDG)

Think globally
– Act locally

Andreas Kappes

The anniversary of “Raiffeisen 200” in 2018 drew much attention not only to the person of Friedrich Wilhelm Raiffeisen, but also to the fact that cooperatives have been an integral part of the economy in many countries worldwide for over 160 years. They are sustainable enterprises that guarantee income and jobs, especially in rural regions. In addition, they contribute to maintaining the quality of life, e.g. by supporting social commitments such as associations and schools. In agriculture, Raiffeisen cooperatives act as a bridge between members and the market, strengthening the position of the individual in production and supply chains.

That is not the case all over the world. Particularly in so-called developing countries, the living conditions of large parts of the population are poor. Small and micro farmers are still representing the typical agricultural structure in Africa, Asia as well as Central and South America. They are hardly organised, have no access to knowledge and modern technologies and thus no power in the market. Their chances of achieving fair prices for their products and thus a sufficient income are very low. The consequences are hunger, children who have to contribute to the families’ income instead of going to school, unemployment due to a continuous economic decline of the rural regions, social conflicts and migration.

We are all called upon to take action. What can cooperatives do to remedy the situation?

In September 2015, the United Nations adopted the “2030 Agenda for Sustainable Development” in New York. Poverty, hunger, inequalities, a lack of education and the disadvantages of women and young people need to be overcome. 17 goals (Sustainable Development Goals, SDG) were set. These are specified in 169 subgoals.

The SDG have replaced the eight MDGs (Millennium Development Goals) from the year 2000.

While the MDGs were focused purely on improving eight key problem areas in the so-called developing countries, the SDGs are intended to guide national policies worldwide and also international cooperation. For the 2030 agenda is not only aimed at the world’s disadvantaged countries, it also places us all under an obligation. Hu-

manity can only achieve these ambitious goals together in a global partnership.

Consequently, for example the International Labour Organization (ILO) and the International Cooperative Alliance (ICA) point out how cooperatives can contribute to the individual development goals. The website ‘Coopsfor2030’ serves as a platform on which cooperatives present themselves and their concrete goals and contributions.

According to Ed Mayo, General Secretary of Co-operatives UK, co-operative economies, based on the principles of co-operatives, are of high relevance for a sustainable future of humanity.

The experiences and successes of cooperatives in Raiffeisen’s tradition are highly significant in this discussion, which deals with concepts for overcoming economic and social challenges in national economies. With a functioning system of entrepreneurial cooperatives, partner countries can address structural economic and social problems and find promising, sustainable solutions. Cooperatives therefore have a future, especially in the 21st century, because we need a global sustainable development.

One thing is undisputed: Without the will of the individual to help him- or herself, it will not work, without trust in oneself and others, without the willingness for responsible cooperation among members in cooperatives, sustainable success will not occur.

That is what Friedrich Wilhelm Raiffeisen already reminded us of. It is also the guiding principle for the cooperative development work of the DGRV-Deutscher Genossenschafts- und Raiffeisenverband e.V. [German Cooperative and Raiffeisen Confederation], the DGRV. The DGRV offers its own intensive experience with cooperative development to potential partners, giving them access to its networks, such as the IRU and the ICA.

The SDG also shape the activities of the DGRV as member of the IRU as part of its cooperative development work. For decades, the DGRV has been committed to strengthening the cooperative system worldwide. The guiding principle has always been sustainability. In practice, this is the entrepreneurial cooperative, which should support its

members in the long term in economic and social respects.

Cooperatives are a proven, adaptable institutional cooperation model that effectively and sustainably supports members' efforts to achieve economic and social objectives.

The DGRV and the IRU want the cooperative entrepreneurial idea to be used by broad, often disadvantaged sections of the world's population. The chance of economic participation should be increased for these people so that they can improve their living conditions sustainably by themselves. With regards to the need to achieve appropriate living conditions worldwide, while taking sustainability into account, especially cooperative organisations are called upon to become active in cooperative development projects. The DGRV, backed by the entire German cooperative organisation is meeting this challenge. They permanently promote cooperatives and other similar socio-economic structures in partner countries.

This work is in the tradition of the cooperative pioneer Raiffeisen. It is important to draw the right conclusions today from the work of our founding fathers and the wealth of 160 years of experience of the organisation. These experiences flow into the cooperative development work of the DGRV, not least through the regular deployment of experienced practitioners.

Cooperatives are of course not the only answer to these challenges. However, it is important to draw attention to the practical and worldwide visible experiences and positive effects of cooperatives in development projects. Cooperatives promote social interaction and integrate people. Equality, responsibility and democracy are the central rules of joint economic activities.

The DGRV approach also promotes cooperative association structures in the partner countries in order to achieve greater stability. With this work, the DGRV follows the tradition of the cooperative pioneers Raiffeisen and Hermann Schulze-Delitzsch. Own experience in cooperative development in Germany is made available to its partners.

Cooperative development work focuses primarily on the initiative and self-help of local people. Solutions must not come from outside, but must

be developed in the respective countries. This is crucial for sustainable international cooperation.

There are, therefore, good reasons that with the adoption of the SDGs the global development cooperation will focus again more on cooperatives. All cooperative organisations are called upon to emphasise the potential of the cooperative organisational and legal form when implementing the SDG and to play an active role in this work.

The examples of cooperative practice in countries with IRU member organisations presented in the following chapters are convincing evidence that cooperatives stand for sustainable management and are active in the interests of their members in a wide variety of contexts and development stages. Thus, in all member countries of the IRU, cooperatives contribute to the Development Agenda 2030.

Raiffeisen?! I have never known it like that!

The 'Aware: Raiffeisen'
initiative of the
Austrian Raiffeisen
Association

Justus Reichl

Preliminary remark: The Austrian Raiffeisen Association and its initiative 'Aware: Raiffeisen'

The Austrian Raiffeisen Association (ÖRV), with its head office in Vienna, is the advocacy group and auditing association of the Austrian Raiffeisen Group. It also runs the Raiffeisen Campus, publishes the Raiffeisen Zeitung (Newspaper) and is the owner of the Raiffeisen brand in Austria and all the countries of Central and Eastern Europe in which the Raiffeisen Bank International (RBI) has operations.

Against this backdrop, a series of representative surveys across Austria were commissioned to mark the appointment of new ÖRV management in 2014. The aim was to investigate the perception of 'Raiffeisen' throughout the population, while at the same time testing awareness of the Raiffeisen idea – what a cooperative is, the set of values by which it operates, and its relevance today.

It was in response to the quite surprising results of these surveys that the 'Aware: Raiffeisen' initiative was launched. Dr. Walter Rothensteiner, Advocate-General and thus the highest representative of the ÖRV, defined its purpose as follows:

*It is good whenever people say
'Raiffeisen?! I know what that is!'*

*But it is even better if they say:
'Raiffeisen?! I have never known it like that!'*

Point of departure: Raiffeisen – one of the most valuable brands in Austria

The term 'Raiffeisen' is not unknown in Austria, where actually the opposite is the case: Raiffeisen – usually in combination with the black gable cross symbol on a yellow background – is one of the best-known and hence most valuable brands in the country. There are only a handful of companies that are higher in the ranking than Raiffeisen – such as internationally renowned brands Red Bull and Swarovski, and Spar, one of the largest

food chains in the country, or the Austrian Federal Railways.



The Austrian Brand Value Study 2017, © European Brand Institute

Historical review: Raiffeisen – how the idea and the name became known in Austria

The first cooperative 'based on the Raiffeisen system' in modern-day Austria was a savings and loan fund that was established in 1886 in the small village of Mühldorf, near Spitz in the Wachau area, not far from Vienna. Many more cooperatives were soon established, as they proved to be valuable institutions for the support of socially sustainable structural change in rural areas throughout the former Habsburg Empire. From the outset, the people referred to these new institutions under the term 'Raiffeisen Fund'.

The first warehouse and dairy cooperatives were created at around the same time. They, too, were organised based on the Raiffeisen system, and many – though not all – of them also made 'Raiffeisen' part of their respective company name. The first Raiffeisen central banks were founded at the federal level in Austria in the 1890s – these are today's 'Raiffeisen Landesbanken'. Raiffeisen's position within the entire Austrian credit sector re-

mained relatively moderate, however. It was only the establishment of a leading, nationwide bank (now Raiffeisen Bank International AG) for cooperative lending in 1927 and – after the Second World War – the establishment of a modern universal banking system, first in rural regions and increasingly in urban areas as well, that formed the basis for further development of the Raiffeisen Bankengruppe Österreich (RBG) to its present importance.

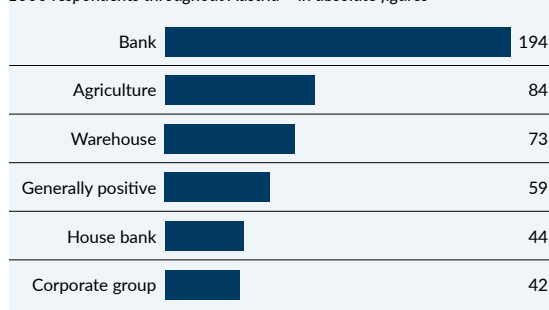
Raiffeisen in Austria today: Figures/data/facts – and public perception

If one asks Austrians today about ‘Raiffeisen’, the overwhelming majority will respond by mentioning the word ‘bank’. No wonder: after all, some four million people – nearly half of the total population – are customers of what has become the largest banking group in the country. Currently, RBG consists of around 400 independent, local Raiffeisen banks with approximately 2,000 branches, the eight Raiffeisen Landesbanken (regional headquarters) and RBI. Consolidated total assets stand at around EUR 280 billion.

Comparatively few of the respondents also associate Raiffeisen with agriculture and warehousing operations.

What do you spontaneously associate with ‘Raiffeisen’?

1000 respondents throughout Austria – in absolute figures



(Detailed results from the 2016 ÖRV survey)

Yet, nearly all respondents are quite surprised to learn that Austria has not only 400 Raiffeisen banks and 90 warehouses, but also some 1,000 Raiffeisen cooperatives in operation in a wide va-

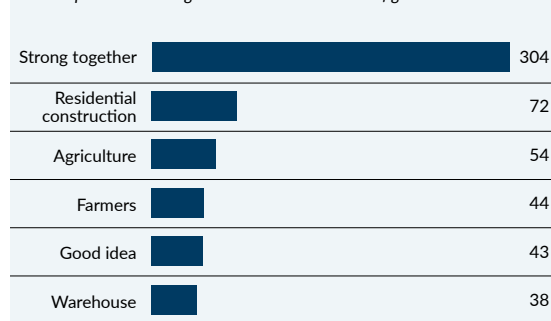
riety of areas: from dairies to the cooperative village inn, from car-sharing to solar energy cooperatives, from pilot projects for the reintegration of long-term unemployed to working life, to Internet cooperatives with the objective of modern Internet coverage in rural areas as well.

And a large number of respondents are even more astonished over the characteristics according to which these cooperatives typically function, with keywords such as member ownership, independence, co-determination, self-governance and so on.

Unsurprising against this backdrop is the following: If one asks what respondents associate with ‘cooperative’, Raiffeisen banks are nearly never mentioned – they are viewed far more as ‘banks like any other bank’ than as cooperatives.

What spontaneously comes to mind when you think of a ‘cooperative’?

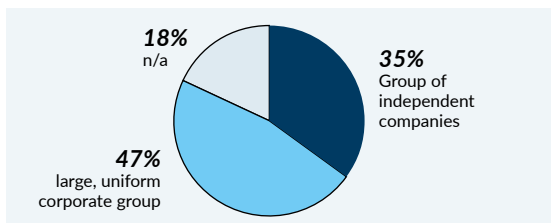
1000 respondents throughout Austria – in absolute figures



(Detailed results from the 2016 ÖRV survey)

Raiffeisen as a whole – so the majority of respondents suspect – is more a unified and centrally managed group of companies than a group of lots of independent, cooperative companies.

Is ‘Raiffeisen’ a group of independent companies or a large, unified corporate group?

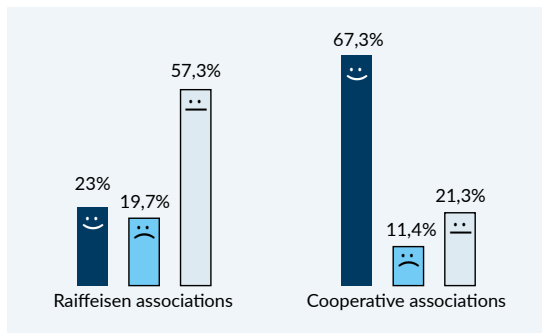


(Detailed results from the 2016 ÖRV survey)

Overall, then, the survey results made it clear: The Raiffeisen brand radiates and enjoys high recognition – at the same time, however, there are enormous shortcomings in awareness of the basic constitution of the Raiffeisen Group in Austria, about its values and aims, as well as about cooperatives as a sustainable organisational model.

The most significant impact of this gap: the Raiffeisen Group apparently has little to gain from the very positive image that cooperatives in general enjoy among the Austrian population. Accordingly, nearly 60 percent of respondents consider Raiffeisen to be ‘neutral’ – meaning ‘a company like all the others’ – and triggers a clearly positive response among only 23 percent. On the other hand, the question about ‘cooperative’ generates more than 67 percent positive and only 21 percent neutral answers – meaning the precise opposite picture.

**Associations with ‘Raiffeisen’ and with ‘cooperative’
positive/negative/neutral, in %**



(Detailed results from the 2016 ÖRV survey)

**The ‘Aware: Raiffeisen’ initiative
Or: How even the old familiar things
can come as a surprise...**

Against the backdrop of the survey results, the initiative ‘Aware: Raiffeisen’ pursues the objective of contributing gradually – and independently of the usual marketing measures of the individual Raiffeisen companies – towards creating a new awareness. Starting with employees, executives, members and officials within the organisation – and increasingly also in the external presentation to customers and a broader audience.

Working from the self-image of the Raiffeisen Group, the following three questions are addressed in particular:

- *Who are we, where do we come from and what is it that makes us different?*
- *What are our concerns today?
What are we doing on behalf of the economy, the country and the people?*
- *Why is the cooperative a more contemporary idea than ever before and a model for the future?*

As mentioned at the outset, the first target audience for the initiative consisted of the owner representatives and management of the various Raiffeisen companies and, in a further step, their employees and cooperative co-owners.

The main obstacles to reaching these two target groups were:

1. *We do not need to talk about these things. They are all clear anyway and*
2. *We should talk about these things – as soon as we find time.*

For those knowing about both the survey results and the Raiffeisen Group, however, these are not strong arguments, because at least to them, it was obvious that

1. *The Raiffeisen brand is well-known, but hardly anyone knows about the ‘story’ behind it and*
2. *We are never going to have time ‘for these things’, if we do not consciously take the time.*

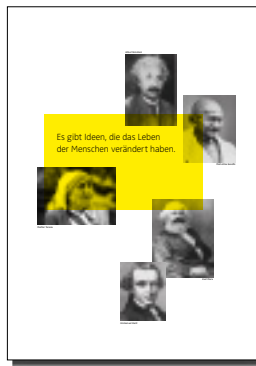
So, there was a need to reacquaint target groups with the seemingly familiar, while at the same time creating opportunities to discuss the Raiffeisen ‘story’ – our cooperative USP (unique selling point) and the impact it has on the way we do business today.

A number of themes were designed to kick off the effort and they were published in the weekly Raiffeisen Zeitung (Newspaper) to bring cooperative ‘certainties’ to readers in a modern and easy-to-understand form. Initiators deliberately

avoided using phrasing that has been in use for decades, such as the triad of 'regionalism, solidarity, subsidiarity'. Instead, new and self-explanatory combinations of images/copy and question/answer were used that addressed e.g. 'the power of the idea', 'the power of proximity', 'the power of personal responsibility', 'the power of diversity' and 'the power of coexistence'.

The reactions to the various full-format themes displayed on subsequent pages: At first, reactions

ranged from surprise to slight uncertainty – the first themes shown were deliberately run without a return address. Hence the frequent question: 'Who is behind this?' – and 'Is that even allowed?' But this was soon met with a consistently positive echo on a broad scale. The basic statement in each case: *It is good that we are talking and thinking about these things again! It is good that this is happening in a modern form! And – especially good news for us: Please let us have more of this!* The at-



'Aware: Raiffeisen' Theme 1: The power of the idea.
There are ideas that have changed people's lives. Ours have, too.



'Aware: Raiffeisen' Theme 6: The power of personal responsibility.
Some companies no longer know where they came from, whom they belong to and where they belong. We do.



'Aware: Raiffeisen' Theme 2: The power of personal responsibility.
Some people ask us where the power at Raiffeisen lies. Here: In more than 2,000 communities throughout Austria.



'Aware: Raiffeisen' Theme 7: The power of diversity.
Raiffeisen is more than a yellow box with a black gable cross on it. Much more.



tempt to surprise readers with ‘old familiar’ topics was thus a success.

This created a tailwind for additional steps, consciously creating time, for example to rethink and discuss cooperatives as a unique selling point. The first ideal platform for this was ‘KompetenzPlus’, the programme providing binding advanced training to all senior volunteer officials in the banking sector. It is a multi-part course series that Raiffeisen Campus regularly offers in all of the federal

states of Austria. A new half-day unit was added here under the name ‘Genossenschaft kommunizieren?!’ [‘Communicating the cooperative?!’]. Meanwhile, all future Raiffeisen managing directors, i.e. the management of the some 400 Raiffeisen Banks, also complete a very similar module as part of their ‘ManagementPlus’ training programme under the name ‘Genossenschaft – unser USP?!’ [‘Cooperative – our unique selling point?!’].



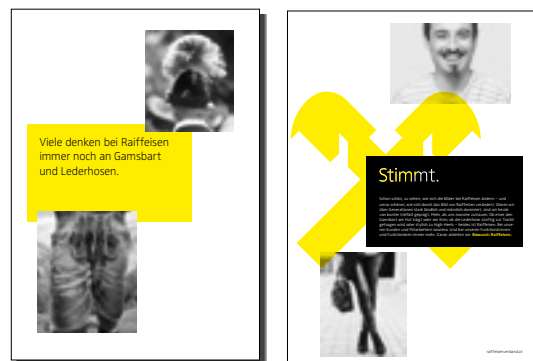
‘Aware: Raiffeisen’ Theme 19: The power of proximity. You do not have to search for us for long. We are here.



‘Aware: Raiffeisen.’ Theme 29: The power of personal responsibility. Corporations work from top to bottom. With us, it is the exact opposite.



‘Aware: Raiffeisen.’ Theme 28: The power of trust. What is much more valuable than data that knows everything? People who know each other.



‘Aware: Raiffeisen’ Theme 43: The power of tradition. Many still associate Raiffeisen with ‘Gamsbart’ (chamois beard) and leather trousers. True.

Service packages: 'Aware: Raiffeisen' as a do-it-yourself offer

Soon after the first training modules were carried out, a new and very specific need for support became apparent: Many officials now wanted to discuss and develop 'Aware: Raiffeisen' at events in their home cooperatives, or at least amongst their colleagues. In response, the ÖRV provided the necessary materials, such as short videos, slides, building blocks for speeches or suggestions for closed conferences and key topics, in a dedicated online service area and expanded it by adding numerous examples of good practices.

This is how the 'Aware: Raiffeisen' initiative, typically through a presentation at regional general meetings, reached the next level of potential addressees, the 'rank-and-file' members who are also the co-owners of the respective cooperatives.

Still, the offers barely reached another very important target group: some 30,000 employees of the Austrian Raiffeisen Banks, many of whom represent the first point of contact for members and (potential) customers in everyday life. A separate programme has now been developed for them as well in consultation with HR and training managers from the regions. Specifically, this is a half-day workshop in which colleagues examine the self-image and external image of the organisation and identify the core values of the Raiffeisen idea and then develop specific concrete visions for the future of the respective cooperative, together with very practical steps towards implementation.

A workshop participant from the 'early days' summed up her experiences as follows: *'I realised why I work for Raiffeisen! It is more than an employer or some bank. Our cooperative is an important institution for the economy and society in Austria. That is something we can be proud of – and I intend to spread the word.'*

Interim summary: A path that has only just begun

In just under three years, the 'Aware: Raiffeisen' initiative has brought out the first main points. To some extent, it is already noticeable and present within the large Austrian Raiffeisen family and it was even adopted across the border by colleagues in the South Tyrol Raiffeisen Association in Italy and adapted for the purposes there.

In some places, however, the topic is still very much in its early stages in terms of awareness and support. After all, as was clear from the beginning, 'Aware: Raiffeisen' is intended to invite and encourage people to get involved, so it views itself as an offer and not as some top-down or, for that matter, 'rolled-out' programme. In the typical cooperative spirit, it thrives on the kinds of local initiatives with which the ÖRV, as partner at the federal and state level, would like to support, but could never instruct.

2018, the bicentenary of the birth of Friedrich Wilhelm Raiffeisen, offered another quite excellent opportunity to present 'Aware: Raiffeisen' to a broader audience. With this in mind, numerous preparations were made in Austria, all of them based on the already tried-and-tested model: a joint umbrella initiative for 2018, specifically 'Raiffeisen 200. The power of an idea' – together with a wide variety of service packages for individual use locally.

In the midst of the Raiffeisen anniversary year, and in a first look back at three years of 'Aware: Raiffeisen' in Austria, we can summarize:

- *Despite, or perhaps because of, enormous economic, regulatory and technical challenges that tie up disproportionate amounts of human and financial resources, interest in fundamental issues within the organisation is noticeably increasing: Where do we come from? Where are we headed to? Which steps towards this destination are appropriate and which are not? Where are adaptations and renewal needed and how can we manage to preserve and at the same time reinterpret the powerful legacy upon which we are building? These are the topics of concern to members and employees, whether they come from the banking group or the agricultural or service cooperatives.*
- *The self-image and external image of the Raiffeisen organisation in Austria were (and are) not always congruent. Even the supposedly old and familiar topics that are seen as 'already obvious' at first glance have the potential to surprise. By deliberate (re)addressing a number of the unique selling points that are mainly the result of our cooperative organisational form, we thus open up completely new opportunities for awareness, communication and differentiation for people internal and external to our organisation. Keyword: 'Raiffeisen?! I have never known it like that!'*
- *The 'Aware: Raiffeisen' initiative was never seen as a short-term project with quarterly measurable results. Nor was it intended to produce a mere superficial shift in communication. Rather, it has a sustainable orientation and, through its offers, the initiative seeks to stimulate deeper change in the self-awareness of the Raiffeisen Group, its companies, employees and owners.*

With this in mind, the 'Aware: Raiffeisen' initiative is far from its destination. In fact, it has only just begun.



Raiffeisen 200.

The power of the idea. For us in Austria.

On 30 March 1818, a man was born whose name stands for one of the great ideas in modern economic and social history: Friedrich Wilhelm Raiffeisen. There are 1,500 cooperatives based on his principles in operation today, with more than 2 million members and around 60,000 jobs throughout Austria. With one another. For one another. That is something we are proud of. Every single day.

And all the more so in the 200th year after his birth

Aware: Raiffeisen.



200 years ago, Karl Marx and F. W. Raiffeisen were born. Raiffeisen is still alive.

Karl Marx was born May 5, 1818, in Trier. F. W. Raiffeisen was born March 30, 1818, in Hamm/Sieg. Separated by only 35 days or 185 km. But the difference between them could hardly be bigger. One relied on the "class struggle", the other one on charity. Marx relied on the "system", Raiffeisen on the people. Marx is history. Raiffeisen is a success story.

Aware: Raiffeisen. Aware: 2018.

Young people and cooperatives

Trees Vandenbulcke, Lieven Vandeputte, Matthieu Vanhove

ORIGINS AND HISTORICAL MILESTONES IN THE DEVELOPMENT OF CERA

Cera's roots go back to 1892, when the first *Raiffeisenkas* was set up in Rillaar by Jacob Ferdinand Mellaerts (1845 - 1925). Back then, the organisation's articles of association were by and large a translation of those published earlier by Friedrich Wilhelm Raiffeisen (1818 - 1888). In this manner, Cera became an important link in spreading the Raiffeisen concept outside Germany.

What began as a small, local savings guild would grow to become one of the biggest financial institutions in Belgium. More precisely, from an agricultural savings and credit institution Cera developed into a general bank with activities in retail, SMEs, the corporate sector and community services. It provided a full range of banking products and services, including mortgage loans, savings, payments, investment funds, asset management and corporate finance.

In 1998 Cera's banking activities were incorporated into KBC, a newly-established integrated banking and insurance group. On that occasion, the federation of 207 local banks with a cooperative structure were absorbed by Cera Head Office. All members of these local banks then became direct members of Cera, thereby establishing one single strong cooperative. Also, through this transaction Cera became a major shareholder of KBC.

Today, Cera and its subsidiary KBC Ancora are the largest shareholders of KBC Group, together owning 21.2% of KBC. KBC is a bank-insurer with five core markets, 1600 bank branches, more than 40000 employees and approximately €275 billion in total assets.

SPOTLIGHT ON YOUNG AND ACTIVE MEMBERS

Mathilde (27)

I've been a member since I was little. My granddad made sure that all his children and grandchildren were Cera members. While I was a student at Liège University, I got to know the Cera Chair for Cooperative Enterprise. I was fascinated by the combination of business and social relevance, and I wrote my thesis in connection with an internship at Cera.

So I was already very committed as a student, and I've taken that a stage further as a member of Cera's Regional Advisory Council. It has opened up a window for me on my region, and helped me get to know some great people who work on behalf of society. And I definitely want to contribute to Cera's Next Generation initiative too. I find meeting people and exchanging experiences absolutely fascinating and lots of fun as well!

Elke (32)

I had to wait a while until a place came up on the Regional Advisory Council for Aarschot, where I live. But as soon as a vacancy arose, I put myself forward as a candidate. As a member of the advisory council, I help decide which social projects to support and how much to give them.

I'm also the 'godmother' of a pub project that works with disabled people and I'm involved with 'Afterwork Next Generation'. That's an initiative in the form of meetings that help young people get to know Cera better and to network. Each young member gets to invite an interested non-member to come along with them. The meetings are very active: we propose subjects, we work in groups on particular themes and we share our experiences. Cera is a fascinating organisation to discover and it contributes to an even more fascinating world.

Pursuing a broader, younger and more active membership base

Today, Cera has around 400 000 members on a Belgian population of 11 million. A healthy membership base is essential to any cooperative, and so Cera pays a great deal of attention to it, in terms of inflow, outflow and activation.

Anyone can become a Cera member by subscribing to cooperative shares to a maximum amount of 5 000 EUR. Subscription is possible via the Cera website, or over the counter at KBC Bank or CBC Banque.

Cera's value proposition for potential and existing members is as follows:

Cera. Investing together in prosperity and welfare
Along with around 400 000 members, Cera invests in the community and focus on robust cooperation. By joining forces, Cera works together with its members and its partners to create economic and social added value in three areas:

- As a principal shareholder, Cera ensures the solid foundations of the KBC group
- Cera generates a positive impact in our community
- The members of Cera qualify for unique benefits.

Raiffeisen's cooperative values of 'cooperation', 'solidarity' and 'respect for all' have underpinned the enterprise of Cera for over a century.

Cera. Deep roots, broad presence

Cera's membership base is very stable, confirming the attractiveness of its value proposition to a broad public. The number of member exits (voluntary and on death) is limited to an overall 1–2% per year. The natural ageing of the members is also a factor – even though Cera members get a bit older each year... This affects participation in general and that in the consultative bodies in particular, which aim to achieve diversity in terms of age too.

For these reasons, Cera has a three-fold ambition for its membership base: to broaden, rejuvenate

and activate it. Or, to put it in a slightly different way, rejuvenation is essential if the membership is to be continuously broadened and further activated.

We focus in this article on several aspects of Cera's service to society and consultation structure that are highly relevant to young people. In addition to this, and in keeping with Cera's value proposition, there is also an attractive range of membership benefits for this target audience. Young people enjoy privileged terms for banking and insurance products, for instance, for mobility solutions, such as the DriveSafe app, and for concerts and festivals.

Cooperative responses to economic and social challenges

Cera arose at the end of the 19th century in a period of profound crisis (see Box 1). The economic and social context in Belgium has evolved immensely in the ensuing 125 years. The widespread poverty and exploitation in which cooperatives like Cera emerged towards the end of the 19th century have been substantially reduced or even eradicated, thanks not least to the cooperative structures set up at that time.

Belgium is a welfare state with very good social provisions. All the same, we are still confronted by a whole range of new economic and social challenges, which call out for creative and cooperatively inspired solutions. Examples include innovative forms of collaboration in more traditional sectors, such as agriculture or traditional services, alongside opportunities in the area of care and culture and in the high-technology sector for the average citizen, as well as the most vulnerable in our society.

It goes without saying that young people have an important role to play in this. We are talking, after all, about the world in which they will be living for many more years to come.

Cera decided in 1998 to adopt an approach, based on a contemporary interpretation of the Raiffeisen philosophy that would specifically seek out

and develop cooperative responses to economic and social challenges. Cera invested in a dedicated team to help shape that approach, it built up a broadly-based partnership network of hundreds of social organisations and also assigned an important role to its members, active in 45 regional advisory councils. The latter are active across Belgium and are firmly committed to social inclusion, combating poverty, care in society, art and culture, bolstering cooperative enterprise, the future of horticulture and agriculture, and local educational and youth-related initiatives. A team of five full-time employees supports the operation of the regional advisory councils and acts as a bridge between the members, the consultative structure and the local tissue.

Cooperation with, for and by the next generations

Cera wants to inform young people and to raise their awareness of cooperative business. However, the aim is for this to go further than simply an introduction. The ambition is for young people to get started in a cooperative spirit and – now or in the future – to become conscious and active members, who assume their role at Cera and in wider society.

A great many of the projects that Cera develops in the spirit of Raiffeisen are aimed at young people. Because they are the ones who will help shape tomorrow's society. Cera has experimented with various forms of working, which young people help to direct ('for, by and with young people'). We discuss below several examples of initiatives of this kind that Cera has been involved in initiating.

Ample attention is paid in all these projects to Cera's three basic values: cooperation, solidarity and respect for everyone. Raiffeisen's classic adage – 'what you can't achieve alone, you can through cooperation' – is also put into practice.

Arts in Society Award

(in collaboration with LUCA School of Arts, the Royal Conservatory in Antwerp, Sint-Lucas Antwerp, PXL MAD School of Arts Hasselt and the School of Arts HoGent)

The Arts in Society Award is Cera's way of bringing bachelor and master students, graduates and researchers from different artistic disciplines together with social-profit organisations that work on behalf of vulnerable target groups. They co-develop an arts project that responds to or reflects a societal challenge. The power of art and culture to unite and strengthen is very much expressed by these projects. The Arts in Society Award frequently broadens the horizons of the young people who participate and the social-profit organisations alike. The students bring a fresh way of looking into the organisation and approach the challenges in a very different way. At the same time, it is an important experience for the artists, for whom there is not always space during their training. They are forced out of their comfort zone and have to think carefully about their own artistic practice, the importance of art in society and the role they can play as artists.

Bright Minds Programme

(with Academics for Development)

The Bright Minds Programme is an initiative for socially committed higher-education students with innovative ideas and/or critical questions about socially responsible and sustainable enterprise. The programme consists of interactive modules, each with a different theme or angle: from cooperative enterprise through the circular economy and energy transition to reducing poverty. The students are confronted with our society's problems and are challenged to think about sustainable solutions. The project stimulates social innovation and enterprise among young people. Through the Bright Minds Programme, we offer this generation the tools and skills they need to develop into critical and tolerate thinkers and doers, all with a solid dose of cooperative enterprise.

Next Generation Please!

(with BOZAR, Centre for Fine Arts, Brussels)

Next Generation, Please! brings young people, artists and politicians together to write a new chapter of the European story. Next Generation, Please! consists of ten projects. Each project consists of a partner organisation, a group of young

people and an artist who spend a year completing a political and artistic process. The resulting performance, installation, photographs, video, etc., are presented at a dynamic festival at BOZAR. Two debates are also held, at which the young people, artists and political experts engage in a dialogue about the political, social and economic challenges Europe faces. A practical handbook is also developed for teachers and cultural and other educators, with a view to the broad dissemination of the methodology and results.

Inclusive youth organiser course

(with Chirojeugd Vlaanderen, Scouts en Gidsen Vlaanderen, KSA, Kazou, Hannibal JKVG and Miex)

Cooperatives stand for an inclusive society. During their pioneering period this chiefly – or almost exclusively – meant economic inclusion. The focus was on the ability to live with human dignity. In the present context, inclusion has taken on a broader meaning. It is about ensuring that everyone gets the chance for maximum self-development.

Young people with a disability are entitled to a proper place in society. Obstacles must be removed, so that they can take part in every aspect of social life. Belgium has a flourishing network of youth organisations, with branches in virtually every village. It is important that young people with a disability can also take full part and responsibility in them. Our goal with this project is to make youth organiser courses inclusive and to open them up to young people with a disability. By enabling disabled youngsters to develop in due course into co-organisers, we can help bring about more inclusive youth projects. The project raises the awareness of parents, carers, children, young people and the overall network of the relevant organisations of the kind of talent-oriented and inclusive youth-related work in which everyone has a place. In this way, it centres on the empowerment of a more vulnerable group, all in keeping with cooperative values and principles.

Cera Award

(with RVO Society)

Young technical talent commits itself to a social-

profit organisation working for and with vulnerable target groups. The point of departure is a technical challenge that can offer a solution to a specific problem with which vulnerable people are confronted, due to limited motor or mental skills. Technology and mechanical and civil engineering students work in close consultation with the target group to develop innovative and customised solutions. Not within the limits of a standard industrial placement, but as part of a socially engaged project in a new setting. In this way, interdisciplinary cooperation becomes an extra classroom in which the students can hone their social, communication and creative skills. Co-creating new technological applications for a more sustainable and inclusive society: that's what we're all about.

Inspiring youth with cooperatives

Through this project, Cera in collaboration with 'Coopkracht' – the Flemish cooperatives' sector organisation – aims to introduce young people to cooperative enterprise. A cooperative company can be a means of responding to social challenges, creating your own employment, and so on. Young people discover the possibilities of cooperatives through intermediaries from education, youth organisations and the business world. The Coopkracht network is also drawn on to show young people some of the real-life experiences of Belgian cooperatives.

Rejuvenation within our cooperative

Cera does not only wish to be a driving force for cooperative enterprise with, for and by young people, it also obviously wants to make itself young and dynamic and to keep itself that way. This is powerfully expressed in the challenge of rejuvenating, broadening and activating our membership base.

A cooperative is handed on from generation to generation, and so it is important for it to constantly connect with the next generation and for the cooperative to have real meaning for its young

members. Young people are not just the future, they are the present too.

For that reason, the strategic plan also pays particular attention to the everyday world and interests of young people, including young adults. To give a few examples:

- *Further optimisation of website and social media to enable smoother communication with young people, along with a new logo and fresh graphic design.*
- *Organisation of 'Next Generation' activities aimed exclusively at members – and their friends – aged between 18 and 35. The aim of these meetings is to meet each other and to think together about social renewal. They also give Cera the chance to get to know its young members and their interests better, allowing it to approach young members specifically to get involved in things like regional meetings for young members or taking part in a project's jury or feedback panel.*
- *In the course of a full-day brainstorming session, one hundred young people – members and non-members – are challenged to come up with new and innovative ideas to make Cera more future-proof.*
- *Younger members are specifically approached to take part in Cera's Regional and National Advisory Councils, so that they can make their voices heard directly and clearly. You can read about Mathilde and Elke's experiences in Box 2. Mathilde (27) completed a placement at Cera as a student and became an enthusiastic member of the Advisory Council for several years. Elke (32) became an active member when she was 25 and has been a member of the Regional Advisory Council since she was 30.*

Cooperatives today and tomorrow: taking advantage of opportunities

Cooperatives could and should become more conscious and proactive. They are still viewed too often as 'just' a bulwark against economic and social injustice, as protectors of historical values and as

an established interest group that lags behind the times.

The reality is – or can be – different.

The cooperative model can be a driving force, in the future too, for innovation and for achieving and consolidating prosperity and well-being in a global world.

To achieve this, it is necessary for the younger generation to develop a cooperative vision in line with their aspirations. Because the aim is not for cooperatives to have young members, but for young members to have cooperatives in which they feel at home and to which they want to commit themselves.

We will end with this appeal to young people: 'Don't wait for your future, build it the cooperative way!'

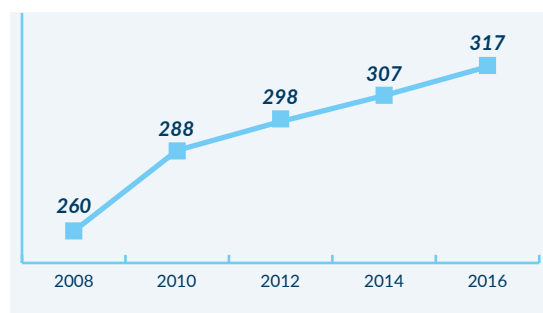
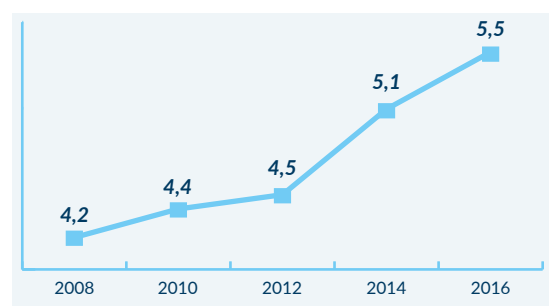
The French cooperative: a powerful model, a model for the future

Etienne Pflimlin

The size and diversity of its cooperative sector make France an important country for cooperatives. The recent 2018 edition of the Panorama of cooperative enterprises⁴ confirms their economic performance and even their position as leaders in many markets. The economic model is very strong, and cooperatives have grown for 10 years. With a combined revenue of EUR 320 billion (+3% compared to 2014), cooperatives are almost three times the size of the automotive sector, twice as large as Airbus and Boeing combined, and generate an amount equivalent to the GDP of a country such as Denmark or Ireland! Cooperatives are present in all sectors, and some are leaders within their respective markets. They account for 30% of retail trade, 40% of the agro-food sector and almost 70% of retail banking activity.

One in three French citizens is a member of at least one cooperative. With 1.3 million employees, the cooperative sector is a major employer in France, in rural and urban areas alike, whether located in the city centre or on the outskirts of town. The share of employees working in cooperatives totals 5.5%, representing steady growth since 2008 (4.2% in 2008 and 5.1% in 2014). 81% of the top 100 cooperatives have their head office in the countryside, including brands and companies known to all the French people!

The share (%) of employees working in cooperatives



Cumulative revenue of cooperatives

The entrepreneurial model meets the needs of citizens and of the 27.5 million members. These may be entrepreneurs (farmers, craftsmen, merchants...), users, customers, employees or associates of their cooperative. This business model with different philosophical and political origins is based on democratic governance and a fair redistribution of the value created.

In nearly all lines of business, cooperative enterprises have managed to create services and products tailored to the needs of the citizenry while meeting the challenges of today's society. As a development tool the cooperative is also well-suited to meeting the challenges of the future. Citizen involvement in the field of energy, innovation in the digital and collaborative economy, the sale of special niche products, the development of sustainable food, group living, cooperative and group-run supermarkets in rural areas, cooperative education, financing of the local economy through cooperative banks, etc., all confirm the relevance of a collective entrepreneurial model that knows how to grow and reinvent itself.

Through cooperative incubators, support for business creation by sector federations or preferred financing by cooperative banks, the cooperative movement stimulates the development of its model among entrepreneurs. There is one cooperative enterprise set up on average every day in France.

The cooperative world also supports innovations in response to new societal challenges. With cooperative enterprises serving the general inter-

⁴ Cf. publication, January 2018, by Coop FR, the representative organisation of the French co-operative movement.

est (called Scic⁵), it is possible to involve all of the stakeholders in a business project: employees or producers, beneficiaries and local authorities. To prevent risk to isolated entrepreneurs while allowing them to benefit from economies of scale and maintaining their independence, business and employment cooperatives (CAE⁶), workers' cooperatives and all business cooperatives (artisans, fishermen, transporters, traders) make an effort to help them grow their own business while pooling resources. This is how they help reconcile individual initiative and solidarity in all sectors of the economy.

Cooperative banks

In France, as elsewhere, there are multiple philosophical origins, and cooperative banks today break down into three main groups: Crédit Agricole, the BPCE Group (consisting in particular of the two cooperative networks Banques Populaires and Caisses d'Epargne) and Crédit Mutuel. Their weight and their presence in the national banking landscape give them a position of prominence. At European level, they exhibit great originality by virtue of their major regional coverage.

As dynamic and essential players in the French banking market, together with their subsidiaries they represent nearly 3/4 of financing of the national local economy and bring together 26 million associate members in decision-making. Proud of their success, they view the membership as a priority and organise their cooperative life to encourage all customers to become members and promote their involvement in the governance of their cooperative bank, beginning with general meetings at the local level.

Crédit Agricole, BPCE and Crédit Mutuel are the three leading cooperative groups among the five major French banking groups. Their 330,000 employees (2/3 of employment and recruiting in the banking sector) and their 25,000 branches serve the 26 million members.

5 *Société coopérative d'intérêt collectif*

6 *Coopérative d'activité et d'emploi*

FACTS & FIGURES

In 2017 they totalled more than EUR 73 billion in total revenue (GDP), 13 billion in earnings, 220 billion in equity.

As the leading banking networks in the regions they represent more than 60% of retail banking in France. With 73% of bank branches on French territory (excluding the Banque Postale network) they distribute 75% of the financing for SMEs and local development. All in all, more than 90% of the French population has an account or passbook there.

Essentially organised around nearly 25,000 local banks and 80 regional banks the cooperative groups span the entire territory, in urban and rural areas alike: 39 Crédit Agricole regional banks and their local affiliates, 19 Banques Populaires, 17 Caisses d'Epargne and its 240 local savings banks and, finally, 18 Crédit Mutuel regional federations and its 2,104 local banks.

Some cooperative banks, national in nature, owe to an alliance or sector-based business (Crédit Mutuel Enseignant for teachers, Casden Banque Populaire for civil servants, Crédit Coopératif, the bank of the social and solidarity economy...). Their success prompted them to develop complementary services (insurance, personal services, etc.) and to play an active role in the consolidation of the French banking world through business takeovers and acquisitions (Crédit Lyonnais, CIC, etc.) and in developing remote banking and FinTech firms (Fortunéo, Monabank, Leetchi, Linxo, SETL, Fidor Bank, etc.). Taken together, cooperative banks have 25,000 bank branches in France.

Cooperative banks perform their banking activities – mainly the collection of savings and financing, based on a rationale of supporting the real economy.

The majority of cooperative banks emerged in France in the late 19th century. They all aimed to promote access to banking services and lending for those excluded from these, and to contribute towards development of their economic activities. For a century and a half, cooperative banks have been able to constantly evolve and adapt to their members' needs and to changes in their environment. They have developed successfully, weathering the major crises of the 20th century and the beginning of the 21st century – in the case of Crédit Mutuel without any assistance from the public authorities.

This responsiveness, this capacity for innovation, this resilience all attest to the relevance of their business model as a real explanation of their successes and justify its defence and promotion.

The Raiffeisen movement (the 'social Christian' side) inspired Crédit Mutuel and, to a lesser extent, Crédit Agricole, which was supported by the public authorities (tool for financing agriculture), while the Schulze-Delitzsch movement (the 'liberal' side) gave rise to the Banques Populaires.

Whatever their original philosophy, French cooperative banks have undergone several main phases in their development:

- *the first phase (from the end of the 19th century to the crisis of the 1930s): birth and regulated expansion;*
- *the second phase (from 1945 to the early 1980s): consolidation and partitioning (strong regional trend in cooperative networks);*
- *the third phase (from 1980 to the end of 1990s): the period of change, with international globalisation and European financial harmonisation. The specificities and restrictions on the activities of cooperative banks have gradually vanished since the Banking Act of 1984, which made them all-purpose banks;*
- *the fourth phase (from 1995 to the present): the harnessed dynamism of cooperatives has never been denied. Cooperative banks have been at the heart of the restructuring operations of the French banking landscape,*

particularly during privatisation efforts organised by the state, and have now become large banking groups in their own right, with different contours, but all oriented around 'all-purpose banking'. Crédit Agricole bought Crédit Lyonnais, which was experiencing serious difficulties, and Crédit Mutuel acquired CIC, allowing both cooperative banks to achieve a regional presence, diversify and expand their customer base. Thus, participating in French banking consolidation and sometimes mixing 'stock companies' with cooperative entities at different levels (CA with Crédit Lyonnais and Indosuez, BPCE with Crédit Foncier, and CM with CIC and Cofidis, Citibank Deutschland, Citibank Belgium, etc.).



After many years of mutual ignorance, followed by fierce competition between the Parisian chic urban bank and the rural and popular banks that the cooperatives are, the quest for dialogue proved stronger than the quarrels. With pride and with enough strength through their cooperative difference the mutualist banking groups managed to create the French Banking Federation (FBF) with the other listed banking networks and are now in a position to establish common positions nationally, whilst keeping with their differences.

French cooperative banks are now recognised as essential partners by the French public authorities. During construction of the banking landscape in Europe, the legislature even sought to safeguard savings banks, which had nothing but 'sui generis' status, by transforming them into cooperatives and requiring them to build equity through subscription of shares by their members.

The international regulatory changes accelerated by the 2008 crisis in Europe and France are having a specific impact on cooperative busi-

nesses in the financial sector. The risk-control arrangements and the strengthening of the internal control system ('fit and proper' component and Pillar 3 of Basel III), ratios and share capital required by these new, standardised regulatory rules sometimes run counter to certain founding principles of mutual banking and push cooperatives closer to the standard of listed companies.... at the risk of becoming trivialised.

The complexity of the regulations leads all managers to adapt to the increasing technicality and obliges them to seek high-level financial and strategic skills among directors; this, in turn, upsets the geographical, regional, socio-professional representativeness of elected officials. The strength of cooperative banking lies in this link with the regions, and in solidarity between the citizens who comprise them.

The distribution of powers and the mechanisms of financial solidarity (liquidity and equity in particular) patiently built by cooperative groups seem complex to regulators who, for reasons of efficiency and conformity, would prefer to see only one business model. Often, a real difference of understanding around the notion of collective interest pits regulators against cooperative groups for which organisation (governance, size, etc.) of the consolidating entities of certain groups is called into question.

French cooperative banks have become powerful, diversified and at times hybrid banking groups. Integrating into economic developments, cooperatives have thus formed cooperative groups of companies, sometimes with plural kinds of status, the governance of which is original due in particular to consolidation and supervision organised by a central body, a regional organisation and the close link with members, which has implications for the entire chain of governance.

Despite all their diversity of size, organisation and operation, French cooperative banks are all cooperatives. In other words, they implement the principles of cooperation as defined by the International Co-operative Alliance ⁷ and recognised

by the UN, the ILO, the European institutions or French law of 2014 on the social and solidarity economy and practice cooperative audits (see below).

The first rule is that of dual quality: they belong to their client members. The traditional conflict between shareholder and customer interests does not exist, as the partner and the user are one and the same person. That is why the primary objective of a cooperative bank is to provide its members with products and services that meet their expectations and needs while providing the best value for money. In some cases for their exclusive benefit, sometimes, as in France, by opening up to non-member clients.

The second rule is that of democratic governance from the bottom up: Cooperative banks are owned and controlled by their members, who democratically elect their representatives in statutory bodies at the local, regional and national levels. Because all members have the same voting rights under the cooperative principle of '**one person, one vote**', this right to vote is not proportional to the capital contribution. And, as the slogan of Crédit Mutuel says, "a bank that belongs to its clients changes everything"! At Crédit Mutuel, some 400,000 members elect the 23,000 volunteer directors of the 2,100 local cooperative banks at their annual general meeting. These directors in turn elect the regional and national officers. This rule is fundamental; it drives a bank's entire operation, 'from the bottom up' rather than 'from the top down'. It is a factor involved in controlling risks as close to the local setting as possible and, above all, creating motivation and empowerment.

Crédit Mutuel is unique to the French banking world ⁸ since each local bank is an institution with a collective banking licence valid at the regional or interregional level. This makes each of the 2100 local banks a small company responsible for its accounts and collectively accountable for its results,

⁷ Principles adopted at the World Congress of Cooperatives in Manchester in 1895 and reaffirmed in 1995

⁸ including cooperative banks

as collective economic solidarity among all the banks seals membership in the cooperative group. Local banks have powerful IT tools to aid in decision-making that enable them to make nearly 95% of lending decisions.

Naturally, relationships between elected and salaried officers are greatly dependent on the personality of each individual, which does not preclude occasional tensions. But clarifying roles – vesting some with authority in strategy and control and others with operational management, the ongoing quest for a balance of power, and the shared goal of developing service to members and clients – limits drift.

In the end, the good governance of French cooperative banks is based on striking an appropriate linkage between:

- *on the one hand, effective involvement of representative democracy in setting shared objectives and monitoring fulfilment of these objectives, it being understood that the board of directors, whatever its composition, is a collegial body for decision-making and monitoring the operational management delegated to the employee managers;*
- *on the other hand, involving members in committees, commissions or working groups, in expressing users' needs, developing projects and preparing decisions that are then submitted to the statutory bodies for approval. This is participatory democracy; and,*
- *finally, the initiative and responsibility of the executive directors and their teams in respect of the initial project, the mandates assigned and the collective interests of the membership.*

This good governance also makes each cooperative essentially a school of democracy and an actor in regional and national social cohesion. It is also a guarantee of the cooperative's overall independence: independence of mind and independence of decision-making on the part of its members, as individual interests cannot be expressed in the collective and pluralistic governance of local and regional banks.

The third rule is that of the allocation to reserves of a significant portion of earnings and the indivisibility of reserves: depending on the country, this rule is either strictly applied or merely recommended. A significant share of the earnings, net income or surplus is usually set aside, which helps strengthen the independence and power of cooperative banks. A portion of these earnings can also be distributed to members in the form of a rebate or remuneration of shares, with legal or statutory limitations in most cases which make the share attractive but also protect the continuity of the cooperative.

Finally, the fourth French rule is that of the principle of absolute non-negotiability of shares: coupled with the impossibility of dividing reserves this means that shares cannot support speculative transactions and are part of a logic of sustainability. They are not listed and can only be bought back by the bank that issued them. In addition, because undistributed reserves are indivisible, they permit strengthening the equity capital base and reinvestment in the bank's development. This allows French cooperative banks to have excellent ratios, together with the integrity they imply.

All in all, cooperative banks differ in many respects profoundly from listed commercial banks:

- *their purpose is to satisfy their clients and to promote the development of the regions in which they live by meeting their economic and social needs – and not to maximise shareholder profit;*
- *their democratic governance is bottom-up, not top-down;*
- *they are organised in a decentralised proximity network, not in a centralised structure;*
- *their strategy is a long-term, non-speculative one on which a lasting relationship is built – not a short-sighted orientation driven by market fluctuations;*
- *their activity is essentially retail banking (or bancassurance) to finance economic actors rather than activity in financial markets or large-scale financing for the sake of profitability;*

- *their solidarity mechanisms are essentially internal rather than an appeal to shareholders, markets or public authorities (deposit guarantee fund, etc.);*
- *the control mechanisms are primarily dependent on internal arrangements rather than supervisory intervention, and their diversification of risk is high as a result of all these factors.*

Of course it is important to ensure that these principles, the organisation of the cooperative bank and its day-to-day practice are all compliant. That presupposes both the setting of targets and the monitoring of their effective application. This is the aim of the cooperative review generalised by the French law of 2014 ⁹ as is the implementation of balance sheets and cooperative plans of action.

Although practices vary considerably from one bank to another, they form the common ground of the cooperative difference, including in large cooperative groups that, through organic growth or external growth (buyouts), have incorporated capitalist components into certain diversification activities, service subsidiaries, or even proximity networks (examples include LCL at Crédit Agricole or CIC at Crédit Mutuel) – which implies regularly adapting their cooperative governance.

To be noted the factors that explain the abilities cooperative banks have to evolve, and to adapt to and resist internal and external shocks. Firstly, the integrity of their historical, cultural, social and economic roots. In a banking and, more broadly, economic and social landscape that has undergone profound upheavals over the past century and a half, the strength of French cooperative banks has been to constantly evolve while remaining faithful to these roots ¹⁰, always seeking to serve their members and clients, who mainly represent the middle class. The second factor, linked to the first, is the proximity, both

physical and psychological, to their client members and their regions. The key to the relationship with them is trust in the context of a long-term relationship. This is the source of responsiveness to their current and future needs through high-quality services and the ability to take decisions locally as well – which is both a powerful motivator and it empowers staff and it is a source for the diversification of risk. Thirdly, the financial soundness based on the participation of members and the allocation of earnings to reserves (in excess of 80%). This provides savers with a sense of security, an ability to withstand internal and external shocks, and to finance development through organic and/or external growth. It also drove resilience to the crisis of 2008, supported by a lack of dependence on markets. This is why credit rating agencies take a favourable view of Crédit Mutuel's business model, which is characterised notably by strong positions in French bancassurance, a moderate appetite for risk, sound strong capitalisation and liquidity, and an excellent capacity for the internal generation of capital combined with a 97% rate of allocation of earnings to reserves ¹¹. The fourth factor: a culture of corporate accountability and corporate social responsibility¹². Integration within a region implies an awareness of its problems and a response to its needs. This holds true not only for environmental concerns, and specifically the ecological transition, but also for actions of solidarity for the benefit of clients in difficulty and more broadly in partnership with local associations and local communities; it holds true for aid towards job creation, in particular for young people; and it holds true for support for cultural, medico-social, humanitarian operations, etc. Beyond the sole interests of their members, this is a strong component of their attitude as a bank with responsibilities in the service of a region.

⁹ Law No 2014-856 of 31 July 2014 on the social and solidarity economy

¹⁰ Jose Manuel Barroso, former President of the European Commission: 'Co-operative businesses that have stayed faithful to co-operative values and principles and the co-operative banks which rely on members' funds and are controlled by local people have generally been able to resist the crisis very well.' (2011)

¹¹ This made it possible for Crédit Mutuel to achieve a CET1 ratio of 17.4% in 2017.

¹² Cooperative social responsibility!

The construction of the SSM, the transfer of regulation to the European Central Bank and the emergence of FinTech have all opened up a new chapter in the history of the cooperative bank

Thanks to their original model as all-purpose banks, French cooperative banks offer a complete range of business lines to assist companies with their financing needs: as a retail bank, finance bank and investment bank. In addition, the system of real estate financing in France, which is predominantly in the hands of cooperatives, is characterised by its robustness and several specific features: an analysis of the borrower's ability to repay rather than practices based on the value of the asset, and loans that are essentially fixed-rate loans.

This is indeed an original model, a model that could be characterised as alternative, that resists and evolves within markets, increasingly in head-on competition with other banks and, more broadly, with all forms of provision of financial services, with particular reliance on technological tools (GAFA, eFinance platform, etc.).

Nonetheless, the European banking landscape is bringing about significant changes to the environment, and they are once again called upon to promote and defend the relevance of their model and of their democratic organisation with regulators who are more acculturated to the dominant model of the listed bank. The pragmatism of cooperatives, which to some extent defy shareholder capitalism by implementing principles of solidarity in economies with free competition, means that they are not always heard by the officials who oversee the Banking Union.

The bank is subject to conflicting orders from public authorities and regulators. The weight of regulations compounds the constraints and capital requirements – without taking into account the contradiction between these requirements and the parallel demand for risk-taking to finance the economy and sustain growth!

Moreover, faced with competition on a global scale, many European regulators are pushing the

idea of consolidation. This runs the risk of launching a process of centralisation that runs counter to cooperative principles and their effectiveness. However, the dynamics are in the network effect, which combines primary cooperatives that remain independent with tools shared in common (IT services, access to capital markets) of a good size.

We are also witnessing not only the emergence of new players that are often less regulated, particularly in forms of payment and the financing of economic agents but also a stiffening of competition. The European model of bank financing of economies is in upheaval, and bank disintermediation of business financing seems to be the aim of some regulators, who are thus undermining the pooling of risks. The explosion of technologies that are disrupting many activities also impacts the relationship with a clientele that is better informed, more demanding, more independent and more volatile.

The digitalisation of the economy is leading to a fundamental shift in customer relations. All customers must therefore be able to remotely subscribe to the bulk of our products. This is the objective Crédit Mutuel set for itself for the end of 2018. However, it must not be forgotten that what matters is the simplicity of transactions, the quality of advice provided and the security of computer data.

New uses, new lifestyles: cooperatives are decidedly modern

Cooperatives have always been at the forefront of social innovation. The first cooperatives invented new forms of work and consumption. Today, they are responding to the new challenges of society, relating to the ecological transition, the digital transition, youth, the rural community, nutrition, etc. In the 21st century, the responses are certainly different, but they are also still rooted in an approach that makes the cooperative a forceful response to the challenges posed by societal change and the yearnings of the citizenry. No matter what the sector, the response can always take a cooper-

ative form. Whether on a small or large scale, in the city or in the countryside, in traditional sectors or in high-tech sectors, in the environmental, social, economic or societal field, for all ages, all professions, all challenges, cooperation appears to be an obvious approach to all those who experience it. The cooperative difference lies not only in its uniqueness but in its ambition and strength as well.

The digital economy presents major issues with its positive aspects, including innovation and the improvement of services offered to customers who reinvent the French proximity banking model, but also more complex topics such as cyber security.

Clients are networked and more independent and expect more mobile apps and digital services

The numbers speak for themselves: billions of digital connections and contacts, millions of app downloads, electronic signatures and uses of on-line banking services. And these figures are constantly rising.

Today, the Crédit Mutuel Group manages more than a billion connections to the group's sites and applications every year, more than half of them via smartphone. Crédit Agricole has crossed the threshold of 4 million users for the 'Ma Banque' app, with 600 million connections per year.

While digital tools are used for simple features such as account look-up or payment transactions, the attachment to the bank branch and bank advisor lives on. But while clients appreciate his or her availability, they are sometimes disappointed with the advisor's consulting expertise and even capability of independent decision-making.

This is why Crédit Mutuel partnered with IBM to develop the first French-language solution based on Watson artificial intelligence. This makes it possible to process natural language automatically and learn by example. The first solutions have been rolled out to the 20,000 advisors:

- *e-mail scanning helps contributors process more than 300,000 client requests received every day;*
- *two virtual assistants allow advisors to respond to clients more quickly to provide them with information on insurance and savings products (according to an internal survey, 94% of respondents recommend the virtual assistant to their colleagues, and 87% recommend the e-mail scanner);*
- *three new virtual assistants are being developed (health, welfare, consumer credit).*

In all cases, the advisor remains in control of the operations carried out and remains the sole face to the client.

Whatever the distribution channels, the network must adapt to the needs of clients and regions and offers a very wide range of value-added services. A one-man or one-woman band of the customer relationship, the advisor also benefits from the flexibility of the organisation which gives him or her freedom of action. At Crédit Mutuel 95% of loan decisions are made in local bank branches.

The development of extra-bank services

Working from a local agency, our advisors are very capable of maintaining a remote customer relationship with their clients. This is why, at Crédit Mutuel, we are working on the services and product lines that we can offer tomorrow to secure the presence of our physical network. The aspiration is to become a multi-service bank. We have become a telecom operator (EI-Telecom) with more than 1.5 million subscribers; we are also expanding our business in home protection and remote monitoring with Euro Protection Surveillance (EPS). The Crédit Mutuel remote monitoring offer provides a mobile application that notifies the user at once in the event of a home intrusion, when a child arrives home from school, or if the user wants remote information about the temperature of a particular room. These telephony and remote monitoring

services are offered to individuals, businesses and local authorities. In addition to housing loans (EUR 218 billion in outstanding housing loans), we sold 10,000 housing units in 2017. Today, we also sell and rent cars.

The Crédit Mutuel Group continues to transform its business model based on a diversification strategy across all of its business lines as part of a multi-service, client-centred strategy, as well as its technological transformation in favour of an 'enhanced relationship' between advisor and client.

With Cyberplus by Banque Populaire and Banxo by the Caisses d'Épargne, the BPCE Group offers features in account aggregation and budget management.

Crédit Agricole Insurances offers an app with which users can manage insurance policies from their smartphones: filing claims, enter a statement with photos and, thanks to geo-location, find the nearest repair shop.

Crédit Mutuel Arkéa and BPCE have deployed Apple Pay, a contactless payment service that enables users to pay for purchases on payment terminals at the checkout desk, through compatible apps, or on websites displaying the Apple Pay logo. Crédit Agricole has chosen to combine biometric authentication with mobile payment in order to spare its clients from entering a code, like Crédit Mutuel, via its Euro-Information FinTech and its Lyf Pay app. In all these cases, the aim is to prioritise security while fostering service for the client.

Cooperative banks foster digital developments

CA launched the first start-up incubator, 'Le Village by CA', in Paris; the incubator was then organised into regions with 311 start-ups supported, 309 official partners and 27 villages open as at the end of 2017. Crédit Agricole is shifting into high gear by setting up two funds of EUR 50 million in private equity each that will invest in innovative start-ups. One will be dedicated to financing start-ups in the regions, in 'strategic' areas as varied as

agriculture and agro-food, energy and the environment, housing, health, tourism and the sea. The other will concern the banking and insurance business lines, in order to 'accelerate' its digital transformation internally by investing in FinTech start-ups that use technologies including as big data, blockchain, digital payments, cyber security or the Internet of Things. The Crédit Agricole Group plans to increase this fund to up to EUR 200 million by 2020.

In terms of Open Innovation, in 2017 the BPCE Group launched Start-up Pass to make working with the start-up ecosystem more effective. This arrangement simplifies the relationship between the group and FinTech, specifically by accelerating the start of the operational phase.

With Néo Business des Caisses d'Épargne, the BPCE Group intends to provide assistance to 1,000 start-ups and innovative companies. This scheme includes more than 50 trained project managers, spaces within the regions and a dedicated loan designed to finance all the expenses of an innovative project.

In 2003, Crédit Mutuel created CM-CIC Innovation, a support structure for the development of innovative companies. Every year, approximately EUR 15 million is invested in companies in the fields of health, electronics, information technology and, more recently, environmental technologies. Crédit Mutuel and IBM have created an innovation centre with a mission of developing joint offers in the field of the Industrial Internet of Things (M2M), connected and cognitive objects related to commerce, self-service and digital banking or to security or mobile payments.

Consequently, cooperative banks in the regions ranked among the most active investors in French tech in 2017.

Cooperative banks are a strong presence on social networks

The Crédit Mutuel Group has more than 1 million followers on social networks. With 47 million views and 30,000 subscribers, CIC is the bank-

ing leader on YouTube. In March 2017, Caisse d'Épargne launched La Communauté by Caisse d'Épargne, the first community among Internet users dedicated to user-friendly interaction and mutual assistance and advice on issues around money.

The BPCE Group has 1.5 million fans and followers and 24.6 million video views on YouTube via the Caisse d'Épargne, Banque Populaire and Votre Coach websites.

Crédit Agricole has a combined 1,860,000 subscribers on Facebook, Twitter, YouTube, LinkedIn, Google +, Instagram and SnapChat.

Security, the asset of cooperative banks that have adopted charters on data privacy.

Today's, clients are increasingly aware of the risks of abuse and fraud in the use of their personal data.

Since 2016, Crédit Mutuel has been offering electronic signatures on tablet computers or for remote users when subscribing to most of the products and services intended for its retail clients.

In 2015, Crédit Agricole was honoured for the 'First industrial deployment of the electronic signature'; each week, as an agent, it manages 1.5 million electronic signatures to contracts made on tablets. The BPCE Group manages more than 100,000 electronic signatures each day.

Since 2016, Crédit Mutuel has been sharing Safetrans, an innovative solution for use in making remote-banking access and transactions more secure. Based on the combined use of the bank card and a USB-connected reader, this solution permits a highly secure encrypted channel between client and bank.

At Crédit Agricole, Infocompte was the first French banking application to use the Touch ID fingerprint sensor on the iPhone and iPad.

Ultimately, the digital evolution will be sustainable only if it continues to be based on trust and on the security of funds and client data. In a setting beset with constant cyber attacks, cyber secu-

rity is one of the major challenges facing society and banks. It remains the number-one priority of cooperative banking and the foundation on which client relationships are built.

Cooperatives are decidedly modern. However, the uniformity of regulations, the competitive environment, the new behaviours of client members and the impact of technologies all drive a certain trivialisation of responses.

There can be no doubt that the best cooperative response consists in the steps taken to sustain its governance: active transformation of clients into members; enhanced participation in local general meetings and representativeness of boards; charters and codes of ethics and conduct; training of elected officers to ensure a balanced relationship with managers – and to meet the competence requirements of regulators; use of technologies to develop relationships with members who pay decreasing levels of physical visits to the bank branches; offers of new services, etc. Above all, breathing life into an honest and transparent relationship based on freedom in a spirit of solidarity.

Essentially, it is the uniqueness of the cooperative banking model, which ultimately comes quite close to the national motto of 'Freedom, equality and fraternity', freedom of access, equal treatment of members, solidarity and, fundamentally, its democratic governance combined with economic performance and a capacity for innovation that have ensured the survival and development of the cooperative model through times of crisis and, more than ever, its modernity based on its founding values.

Raiffeisen's cooperative idea and the NIMBYism syndrome

The meaning
of citizen energy
cooperatives for
the Energy Transition

Andreas Wieg

Introduction

In the 19th century, small farmers in German rural areas were heavily dependent on moneylenders. Reasonable bank loans were not available at that time. So-called usurers gave loans with very high interest rates. Subsequently, many farmers went bankrupt and lost their farmstead. The German cooperative pioneer Friedrich Wilhelm Raiffeisen was the mayor of several communities in the Westerwald region. He was confronted with extreme poverty in rural areas. At first, he wanted to change the situation with welfare policy and a charity organization. Later he recognized that successful poverty reduction requires a common self-help organization owned by the individuals concerned. The Heddesdorfer Darlehnskassen-Verein was the first credit union advanced by Raiffeisen in 1864. They managed deposits and provided loans for the local population. The Raiffeisen banks accepted local members only and had better knowledge about the borrowers and their credit rating. Moreover, the local member group of the banks was able to exercise social control of the debtors. In turn, this resulted in higher confidence in the bank among local population. Better knowledge about creditworthiness and control were the advantage over the moneylenders then.

Raiffeisen's cooperative idea has been revived in renewable energy cooperatives worldwide now. Local knowledge, trust and social control are also essential for this kind of community energy. Many people join renewable energy cooperatives in their communities in order to get the opportunity of taking part in the energy transition. Supporting the local economy is another motivation to set up and run energy cooperatives on a voluntary basis. Regarding the energy transition as a whole, cooperative ownership and common responsibility increase acceptance of renewable energy power plants among the residents. This role of local energy cooperatives is currently acknowledged by

the European Union. In the end of 2018, the EU released the Renewable Energy Directive and defined an explicit role for citizens and communities in the European energy transition. Cooperatives should have the right to produce, consume, store and sell renewable energy in all member states. Renewable energy communities should be considered when designing national support schemes. Although it was not intended, the EU acknowledges Raiffeisen's idea of local cooperation and common responsibility.

This article sets out to explain the role of renewable energy cooperatives in detail. The focus is on the acceptance of renewable energy by overcoming the 'Not in My Backyard' (NIMBY) syndrome.

I. The German Energy Transition

The German Energiewende (Energy Transition) is well-known as one of the most successful energy transition policies in the world. The German government set ambitious targets of 80% of electricity supply from renewable sources by 2050, and 18% of the overall energy supply from renewable energy by 2020.¹³ Currently, approximately 35% of electricity production comes from solar, wind or biomass energy sources.¹⁴ In peak times, this share increases up to 85% as of 2017.¹⁵ All across Germany, wind turbines have been erected, solar panels have been installed on roofs and biomass generation facilities have been built in the last years. The main driver of this development is the national energy law which entails a Feed-in Tariff system¹⁶ and grid priority for renewables. Not only investors and project developer, but also many craftsmen, small and medium size service companies, and regional banks benefit from this development.

Despite the successful results up to now, there are still many challenges ahead to overcome. Most of the questions are about technological issues,

¹³ http://www.gesetze-im-internet.de/eeg_2014/_1.html.

¹⁴ <https://www.unendlich-viel-energie.de/mediathek/grafiken/der-strommix-in-deutschland-2018>

¹⁵ <https://www.agora-energiewende.de/de/presse/agoranews/news-detail/news/ein-sonntag-fast-ohne-kohlestrom-1/News/detail/>

¹⁶ The Energy law EEG 2017 has been changing the Feed-in Tariff system for different energy sources to auctioning (http://www.gesetze-im-internet.de/eeg_2014/BJNR106610014.html#BJNR106610014BJNG000901123).

such as how to deal with the fluctuation of electricity production, the right capacity of the grid or the development of energy storage. They do not necessarily develop at the same time. Another challenge is the financing of the energy transition investments and the increase of energy cost. In Germany, private households and small companies cover the cost of the expansion of renewable energy. In other words, energy consumers are paying the bill. In addition, the roll-out of renewable energy takes place in rural areas. Although the majority of German citizens is in favour of the Energiewende,¹⁷ most of them would say “please, not in my backyard”, if asked directly. However, local citizens’ opposition to renewable energy is likely to decrease, if the residents own the plants and share in the economic benefits of the development.

Renewable energy cooperatives can contribute to solve the aforementioned problem of social acceptance. The reason is that energy cooperatives could bring citizens, local businesses or farmers together to pull resources for constructing and owning renewable energy facilities with positive effects on local income, jobs or tax payments to the community. Cooperatives have a long history of playing an important role supporting local economies in Germany and the cooperative model has been successfully utilized for renewable energy production.

The following examples will describe how renewable energy cooperatives have helped German citizens realize the economic benefits of renewable energy, how cooperatives have fostered public acceptance and, consequently, how renewable energy cooperatives advanced citizen and community involvement in the German energy transition.

II. Data about energy cooperatives

The number of renewable energy cooperatives has increased enormously in recent years.¹⁸ The

foundation of this kind of citizen energy organizations has been growing at an impressive rate. Since 2006, almost 860 energy cooperatives with more than 180,000 members have been formed. 95 % of the members are private citizens. Most of them participate with small amounts (average shareholding value is 3,900 Euro). On average, the members get a dividend of 3.98 % or 155 Euros back. Arithmetically, this is almost the same amount of money a private household pays for the renewable energy surcharge in Germany. However, anyone can participate in energy cooperatives with small shares because the minimum participation share is very low. To become a member, 34 % of the energy cooperatives claim up to 100 Euros. All in all, energy cooperatives have already invested around 2.7 billion Euros in community power plants and they already produce around 1 Gigawatt of clean power. This is double the amount of electricity that the 180,000 households need annually. It means that renewable energy cooperatives already produce more electricity than their members need for their homes.

New energy cooperatives operate with a high equity ratio of around 50 percent. Citizens are keen to participate in the energy transition with their own money and to support the regional added value. Photovoltaic cooperatives, for example, enable many citizens to make a modest financial contribution to developing renewable energies in their own local area. Solar energy plants are often launched jointly by communities, public institutions, local service companies and regional banks. Cooperatives facilitate the collective commitment of various local players and bring together broader social, business, municipal and environmental interests. Mostly these plants are installed and maintained by craftsmen based in the region. So, the regional added value is strengthened too, which increases public acceptance even more. Besides solar and wind power, cooperatives also run district heating systems and electricity grids.

In the following chapter three typical cases of

¹⁷ 93 % of the German citizens support the further expansion of renewable energy (<https://www.unendlich-viel-energie.de/themen/akzeptanz-erneuerbarer/akzeptanz-umfrage/klares-bekenntnis-der-deutschen-bevoelkerung-zu-erneuerbaren-energien>).

¹⁸ <https://www.dgrv.de/en/services/energycooperatives/annualsurveyenergycooperatives.html>

renewable energy cooperatives will be presented. Their stories tell us how to create regional added value with renewables, how to achieve acceptance for renewables and how to develop a renewable energy system at lower costs.¹⁹

III. Example 1: Boosting local economy

What can we do locally to engage in Germany's energy transition? And how can environmentally friendly and sustainable solutions contribute to regional development? "This is something we have to tackle together at a local level. The best option would be a cooperative", says Michael Diestel, board member of Friedrich Wilhelm Raiffeisen Energie eG (FWR). The founders of the cooperative consciously focused on the self-help approach of the German cooperative movement's pioneer Friedrich Wilhelm Raiffeisen.

FWR was founded in June 2008 in the city of Bad Neustadt (Federal State of Bavaria). The cooperative provides citizens wishing to support renewable energy through modest financial investments with the chance to link up with like-minded people. This not only accumulates regional capital, but also legal and economic expertise. Not everyone has the necessary expertise and experience required for the construction and operation of such facilities. An energy cooperative also motivates the owners of suitable rooftops to have photovoltaic systems installed. A farmer may toy with the idea of installing a system like this on one of his barns, but frequently the effort and risk required is too great to consider going it alone, especially if the project is likely to entail considerable investments, in addition to his farming costs.

The investment would also involve administrative and insurance costs. These responsibilities are more easily and more effectively handled in a cooperative context. In this respect cooperatives offer a major advantage in that they can tap into the potential of sites to which private individuals would never gain access on their own. "In rural

areas there are plenty of unused rooftops. Lots of churches, supermarkets, farm or community buildings could be fitted with solar systems", Diestel says. The owners of these rooftops can either allow the FWR to use these areas for free, or rent them to the FWR, even if they themselves do not wish to be financially involved.

The FWR's first photovoltaic system was installed on roofs belonging to the Bad Neustadt municipal works yard in November 2008. Its peak capacity is 270 kilowatts and it has been producing about 235,000 kilowatt hours of electricity per annum. The average annual electricity needs of 60 private households can be covered by a facility of this size. With a service life of 20 years, the system has been saving approximately 4,150 tons of carbon monoxide (CO₂). Those who invested 4,000 Euros in the facility contribute directly to the production of green electricity in an amount approximate to that which they consume annually in their own home. Overall, nearly 1.1 million Euros have been invested in the project. Two thirds have been financed by loans and one third by equity. Every resident was entitled to be involved in the energy project, the minimum share in the investment being 2,000 Euros.

The production of renewable energy is also intended to support the region. "Our motto is to use local resources and feed the profits generated back into the local community and for the benefit of the residents", explains Diestel. Accordingly, local craftsmen are responsible for installing and maintaining the technical facilities. A regional bank provided the loan. The shares in the solar system too were offered first to Bad Neustadt residents, then to residents in the outlying area, and only then to investors from outside the region. The community also benefits from additional trade tax income.

Boosting the region's profile is also central to a project in the community of Großbardorf where a photovoltaic facility is financing the roof of the local football team's home playing field. The German Football Association (DFB) requires cov-

¹⁹ The following examples are extracted from <https://www.genossenschaften.de/gr-nderfibel-energie>.

ered seating in the stadiums of the teams in its upper divisions. The home team, TSV Großbardorf, faced a dilemma when it qualified for upper division play: Who will pay for the roof over the stands? The solution came from a local energy cooperative, who offered to rent the rooftop after it was built and use it as an energy-generating location by installing solar panels. Even after paying the rent for the rooftop, the cooperative is able to make a financial return on its investment. So, in the end, the entire community wins: the fans, the team and the environment.

IV. Example 2: Solving the NIMBY (Not-in-My-Backyard) problem

In Germany, many people support the expansion of renewable energy. But whenever an energy project is planned right outside someone's front door, consent can start to disintegrate. Wind power in particular is unpopular with residents in many regions. In the southern part of the Federal State of Hesse a cooperative was founded to counter the NIMBY problem. "If you've got to look at it, you might as well get the benefit", says Micha Jost, board chairman of the Starkenburg eG energy cooperative. Jost had long been committed to the idea of using a cooperative to run wind turbines,

which entail a lot more financing, planning and construction effort than solar systems. The first cooperatively owned wind turbine was a chance affair: financing was still needed for a wind farm which had already been approved near the community of Seeheim-Jugenheim.

Two wind turbines had been planned on a small hill called "Neutscher Höhe" for some time. "Public opinion in the direct vicinity was clearly against the project and the local newspapers too were very lukewarm", explains Jost. But as soon as the residents of the neighboring communities got the opportunity to invest in the new wind energy cooperative, acceptance for that project began to increase: 230 residents from the region have invested in the wind turbine. Almost half of them are people who live in its direct vicinity. Finally, the wind turbine was entirely financed by equity, that is to say, by the money of the residents.

The energy cooperative was founded in December 2010. "In the first place, we are keen to involve the people who live close to the project sites", continues Jost. "We particularly want to target those residents who either didn't own their own property or had no funds to install a system of their own." Since the focus from the outset was on wind energy – which requires a comparably high level of equity – they deliberately opted for a regional approach. The idea was to reach as many people



Fig.: Members of the energy cooperative Starkenburg eG in front of the citizen's wind turbine "Gute-Ute" on the Neutscher Höhe in the Forest of Odes

as possible in many different villages. “We were extremely surprised by how much private capital there proved to be in the region and by the willingness of people to invest in their own new cooperative”, reveals Jost. The funding volume for the wind turbine was 3.5 million Euros.

On 30th July 2011 on the Neutscher Höhe, a ground-breaking ceremony was held for the first wind turbine. Every year the turbine has been generating some five million kilowatt hours of electricity. Statistically speaking this is enough to supply 1250 households with their annual electricity needs. The facility has been saving some 2,800 tons of CO₂ per annum.

Another aspect of the cooperative’s philosophy is the conservative nature of its calculations: Jost says “we would rather guarantee people a little less than disappoint them later – if the return on investment doesn’t turn out to be as high. Since we all live in the area, that’s really the only option anyway.” The cooperative is not the place to make a fast buck. Any involvement represents long-term and sustainable investment in renewable energy – while being an incentive for members to address the topic at a local level. To become a member, you only need to purchase two shares at 100 Euros each.

A short summary of coming energy projects is published on the cooperative’s website.²⁰ Interested parties can request a brochure featuring a comprehensive description of the project. Those who are serious about investing can then register their interest, stating how much they wish to invest. If there is sufficient interest, the paperwork – that is, the membership application and loan contract – is dispatched to make involvement in the project official. “This enables us to attract interested parties to our projects step by step. We want people to track the projects and their progress over years”, Jost sums up.

V. Example 3: Low energy costs through cooperation

Autumn 1997: In Lieberhausen, a satellite of Gummersbach in the western German region Rhineland, the board of the village association was holding a meeting. The community was planning to update its sewage system. The discussion centered on whether the opportunity could also be used to install a new heating system based on renewable sources. But how do you get from a freshly dug ditch to an energy supply for the entire village? Where do you start with such a project?

“The first step was to approach our regional utility” recalls Bernd Rosenbauer, chairman of the Lieberhausen eG energy cooperative. “We asked how much the construction of an environmentally friendly heating system would cost each resident. When we heard the price, we dismissed the idea immediately.” Each household connection would cost approximately 12,000 Euros. Another way had to be found if the original vision was not to simply disappear. So it was important to get the residents of the community of Lieberhausen actively involved.

A feasibility study was conducted – and the project was approved at the very next annual meeting of the village association. At least 40 households would need to take part for the system to pay off. To the surprise of the initiators, 42 households agreed to be involved, although the calculated energy price was more than the current cost of their own oil heating. But even then, it was obvious that the price of fossil fuels was going to continue increasing. “Our neighbours reached a very rational decision. All those involved agreed that this wasn’t about a political debate, but about the common future of our village”, explains Rosenbauer. These days, 92 of a total of 108 houses in Lieberhausen are connected to the local heating network.

In April 1999 the Lieberhausen eG energy cooperative was founded as the body responsible for the heating plant and district heating system. “The villagers themselves needed to have a direct say – after all we wanted to get everyone actively involved. A project by residents for residents, where no-one could come from outside and tell us

²⁰ <http://www.energiestark.de/>

what to do”, continues Rosenbauer. Thanks to the villagers’ own initiative, they saved themselves a great deal of money during the planning, construction and operation of the plant.

The bio-heat is generated by a woodchip-fired heating plant, fed by material from local forests. The idea was Rosenbauer’s, who had asked himself ever since he was an apprentice forester whether it would not be possible to change from oil to wood as a source of energy. Lieberhausen has proved that this is possible. In the run-up, several residents were worried that the local forest would have to be felled to provide enough wood for the plant. But that is not the case: enough wood is made available from the region’s forests by regular forestry maintenance.

The members bought shares in the cooperative to the tune of 90,000 Euros. The cooperative fee for each member was set at 1,050 Euros, and an additional network fee of 1,500 Euros also had to be paid. Each house connection cost approximately 3,000 Euros, meaning that each household had to invest a total of 5,500 Euros in the project. The network enables a family living in an older property to save approximately 1,000 Euros a year in energy costs. By the sixth year the plant has already started to pay its way.

Thanks to the dedicated involvement of the Lieberhausen residents, it was possible to complete the project swiftly and affordably. They spent more than 5,000 hours assisting voluntarily in the construction of the plant, and dug the ditches for the pipeline connections to the houses themselves. Much of the plant operations and accounting are also in voluntary hands. In addition, the furnace needs to be cleaned every three months; this work is also done by the members. This keeps running costs down and strengthens the sense of community within the village.

And now the villagers of Lieberhausen receive visits from other interested villages and interest groups. The transfer of knowledge and the preparatory planning for other villages represent additional sources of income for the cooperative. The village guesthouse and B&Bs are delighted by the influx.

VI. Short summary

The development of Germany’s renewable energy cooperatives is a success story in many ways. Cooperatives enable citizens’ participation in green energy projects and ensure the economic impacts benefit the local citizens. Additionally, citizens’ participation stimulates acceptance for renewable energy and the motivation of the people on site in many cases. Local citizens’ opposition to green energy development decreases, if they have ownership. They become more motivated to think about their own energy consumption and to change their behaviour. The move to a new energy system is a complex learning process which depends on the activities of the people on-site. Last but not least, energy cooperatives not only contribute to the clean energy future, but also revitalize rural communities. The examples presented above show how the local economy can benefit from renewable energy investments. For this, the energy transition should be achieved locally.

To sum up, despite all the legal, economic or cultural specifics in different countries, there is a good experience from Germany to share: Citizen energy and local cooperation is the key for acceptance, motivation and widespread economic benefits. That is what Raiffeisen taught us already.

Evolving banking system through cooperatives for women in India

Nandini Azad, Wolfgang Salomo

Genesis of the cooperative movement of India

Co-operation plays an important role in the Indian economy. Perhaps no other country in the world has a co-operative movement that is as large and diverse as is the Indian one. The co-operative movement in India has evolved from the co-operation experience world over. Co-operatives today are committed to securing an improvement in the quality of life of a vast majority of Indian people. In fact, the founding fathers saw the co-operative movement as an important tool in carrying forward the policy of rapid and equitable economic development.

In 1892, the Government of Madras Presidency (now Chennai, Tamil Nadu) deputed one of their senior officers, Sir Fredrick Nicholson, to study the theory and practice of co-operative structure in England and Germany and particularly to examine the feasibility and modalities of their introduction in the Indian situation as the condition of the rural masses there was “quite deplorable”. Nicholson in his report observed that we must find “Raiffeisen in India”.

In 1901, the Government of India appointed a committee under the Chairmanship of Sir Edward Law, to study the prevailing economic conditions of the country. The committee recommended the introduction of cooperatives on the Raiffeisen model and the government accepted the recommendations. Accordingly, the first Co-operative Credit Societies Act, 1904, came into force. The passing of this Act was the first milestone in the co-operative movement of India - a turning point in economic and social history. This Act aimed at encouraging thrift habits among the poor peasants and artisans by setting up co-operative societies.

Today, the co-operative movement in India is the largest in the world with more than **600,000 individual cooperatives catering to over 240 million members**. The movement has permeated all walks and sectors of life, i.e. agriculture, horticulture, credit and banking, housing, agro-industries, rural electrification, irrigation, water harvesting, labor, weaker sections, dairy, consumers, public

distribution system, tribals, international trade, exports, agri-business, human resource development, information technology, etc.. The movement now covers 100 percent of villages in India along with 65 percent of households.

In fact India is the first country in “the South” which adopted and adapted Raiffeisen-type co-operatives and then managed spreading them on a large scale. During the first decade of the 20th century the Indian credit cooperative system had an unparalleled great start based on principles of self-management and self-financing, protected by a credit cooperative legal framework and effective supervision. In 1912 the original act was replaced by the Co-operative Societies Act. India was aiming at societies dealing not only with credit, but also with insurance and various specialized functions. Cooperative banks were established at several levels to provide liquidity exchange and refinancing services. Self-financing and self-governance supported the movement growing.

The emergence of the women's co-operative movement and women's co-operative banks

Since the emergence of Worldwide Women's Movement in 1975, unleashing a significant social change process, several grassroot women's initiatives/co-operatives were initiated. Women, too, were able to actively participate in co-operatives, a concept that was almost rare until the 1970s in India. In 1975, as a result of the UN International Women's Year, world attention focused on women, their problems and obstacles to their progress. This brought about a change in attitude towards women on the part of governments. It became obvious for and well noted by international organizations and other agencies, including co-operatives, that unless women, who constitute half the world's population, were drawn into the developmental programs progress could not be fully achieved and national development targets would not be fully met.

During the last two decades the movements for empowerment of women, socially and eco-

nomically, have been on the forefront all over the world, including India. The New Economic Policy initiated in 1991 and the Fourth World Conference of Women in Beijing (China) which is termed as an event of the decade, have given it a sharp focus and new urgency. The conference held in Beijing in 1995 put women's access to credit on the international agenda. This is due to the fact that women's access to credit is much more important as it uplifts women out of poverty and enables them to gain economic and political empowerment at all levels.

Women's empowerment occurs at four different stages. The first is economic empowerment in the sense that, if women are given access to financial resources, they will be in a position to start up new and invest in more profitable businesses, gain assets and hence have power to control household income. Second is the increase in household well-being which is partly the result of female economic empowerment as their income is normally spent on members of the family, including the husband and children. This occurs when income is directed more towards improving the wellbeing of the family. The third is a combination of economic empowerment and increased power of women's decision making. This leads to a wider social and political empowerment, simply because providing for the families and making decisions give them confidence and a sense of self-confidence. The last stage of economic activities that women engage in contributes to the national economy.

Furthermore, cooperatives offer additional services including business training and raising gender awareness among others, which form a base for more efficient use of loans. Cooperatives are also more easily accessible to women residing in rural areas because they are locally based, culture-sensitive, and less intimidating compared to commercial banks which are often not available in rural areas and have stringent conditions. Cooperatives can provide a functional tool for empowerment and economic independence in addition to providing a long-term sustainable socio-economic recovery by combining the power of rural women. This enables women to access saving and loan services for the benefit of their business, ed-

ucation, health or social development purposes.

Cooperatives significantly increase women's ability and capacity to work independently by providing them with access to finance for entrepreneurial activities, thus reducing their vulnerability to poverty. The participation of women makes the co-operative movement in India strong and progressive. Co-operatives provide varied opportunities for women. No doubt, their standard of living has been raised by the income they earn and their quality of life would be improved due to social awareness, entrepreneurship development of skills. Increased participation in the affairs of the society will lead to better understanding and unity in a sense.

Significance of women's co-operative banks

Women's co-operative banks have been formed with a social purpose. Therefore, it deserves special encouragement from the government and the society. The constitution of Women's Co-operative Banks provides that all managing committee members of the women's Cooperative Banks should be women. The president/chairperson is invariably a woman. The objectives of women's Co-operative Banks focus on women's welfare, emancipation of women and encouragement to women. All borrowers, as well as members, should be women.

The Women's Co-operative Banks help and guide to establish their entrepreneurial activity by providing financial assistance to women in urban and rural areas. The United Nations Commission on the Status of Women observed that women, who contribute half of the world population, perform two thirds of the world's work, receive one tenth of its income and own less than one hundredth of its property. In India, women produce 30 percent of all food commodities consumed but get only 10 percent of the income and own 10 percent of the property or wealth of the country. Women have been deprived of their economic status, especially in rural areas. Thus, the empowerment of women and improvement of their status

and economic role need to be integrated into economic development programs.

The objective of Women's Banks is to promote the idea of women doing something creative for themselves. After nationalization of banks in India in 1969, some attempts were made to target women customers to meet their credit needs and also to open all women branches in various places. But this met with limited success. The Women's Banks have earned a reputation for themselves as sound financial institutions and to some extent overcame the initial skepticism and prejudice against them.

Cooperatives contribute to gender equality and women's economic empowerment

Many NGOs have now tailored their programs around women's empowerment in the changing economic scenario. The cooperative model of empowerment for women is very relevant due to its democratic and participatory nature, providing a platform to exhibit their skills. The increasing participation of women in cooperatives is evident. However, a recent study on the Status of Women in cooperatives in the Asia Pacific ('Gender is more than statistic'), assessing the gender quotient in co-operatives in the region, proves among other facts that the way for women to obtain their fair share of positions and relevance in the movement is still a long one. Its salient finding is that women's representation in co-operatives at higher echelons is not significant at decision-making levels. Yet, new trends, decisions, issues indicate new threshold of change for women. Nineteen out of 26 countries in the Asia Pacific region represented in the study revealed that while the ratio of women chairpersons increased from 7 percent in 2005 to 10 percent in 2016, the number of leaders at the top remained abysmally low. However, the ratio of women vice chairpersons increased from 18 percent to 23 percent in 2005 and 2016 respectively. Lack of women representation at the top could be attributed to patriarchal values and lack of education and skills that restrict access to leadership positions.

The report's recommendations were well received at the 10th Asia Pacific Cooperative Ministers' Conference (APCMC) held in Vietnam in April 2017 (ICA-AP). It was a milestone since the APCMC accepted 30-50% ratio in women's participation at all levels of cooperatives in the Asia and Pacific region for the first time.

Co-operatives being driven by women are the best model and most suitable to be practiced. Development has to achieve what women themselves perceive to be of their interest. In the process of people's empowerment and enrichment, co-operatives enable women to realize their potential, build self-confidence and lead lives of dignity and fulfillment are attained. It has been clearly proven for India that co-operatives are the effective tools to attain collective goals. Women come together for a common cause to raise and manage resources for the benefit of the lives both economically, socially and for the welfare of their family.

Overview: Forms of women empowerment through co-operatives

Economic empowerment

Co-operatives facilitate economic empowerment through access to economic resources and opportunities including jobs, financial services such as credit, productive assets, development skills and market information. Due to economic empowerment, women participate, contribute and benefit from development processes which recognize their contribution, respect their dignity and make it possible to negotiate a fair distribution of the benefits of development.

Increased well-being

Economically empowered women contribute to the well-being of their families and their husband and are in a position to raise income through entrepreneurship. An increase in income is utilized towards improving the family well-being.

Social and political empowerment

As a consequence of economic empowerment, women increase confidence and are in a position

to raise their voices, make choices and be able to contribute in social and political matters that affect their daily lives.

Overview: Progressive levels of equality through co-operatives

Participation

Women have equal participation in decision making in all programs and policies

Conscientization

Women believe the gender roles can be changed and gender equality is possible

Control

Women and men have equal control over factors of production and distribution of benefits, without dominance or subordination

Access

Women gain access to resources such as land, labor, credit, training, marketing facilities, public services and benefit on an equal basis with men. Reforms of law and practice may be prerequisites for such access

Welfare

Women's material needs such as food, income and medical care are met

The cooperative self-help movement in rural India

Wolfgang Salomo

The most impressive path to financial inclusion of women has been the cooperative self-help movement in rural India. The vision behind this movement is to contribute to improving the livelihood of the rural poor, in particular Dalits, scheduled tribes, and other backward groups. Setting-up self-help groups (SHGs) of women following cooperative values and principles, aims at improving the economic and social situation of rural households, alleviating poverty, and strengthening the empowerment of women.

In fact, the founding of SHGs as informal (non-registered) small grass root cooperatives had already started earlier during the 1980s, initiated and supported by numerous small and large NGOs or international and government agencies. However, the actual impulse was given to the self-help movement in 1992. At that time, the National Bank for Agricultural and Rural Development (NABARD), authorised by the Reserve Bank of India, launched a pilot project of a Bank-linkage program together with MYRADA, an Indian NGO supporting SHG development from the early beginning. In 1996 the pilot project was rolled out nationwide.

Ground breaking for the Bank-linkage program were new RBI/NABARD regulations allowing banks the following: First, opening bank accounts for informal groups, second, granting bulk loans

to SHGs leaving the decision on how to use these for their own lending activities to them, and third, lending to SHGs without physical collaterals. The Bank-linkage-program and the massive support by SHG Promotion Institutions through dissemination, capacity building, training exercises, and exposure visits enabled the up- scaling of the SHG movement to today's vibrant women-centric financial inclusion and livelihood improvement.

SHGs are based on self-initiative, self-administration, self-control, and mutual support – the well-known cooperative principles of Friedrich Wilhelm Raiffeisen. Each grass root group comprises 15 members on average, with leaders elected from the circle of members. Typical for cooperative institutions, the members are both owners and users of their SHG. As informal financial cooperatives, SHGs collect savings from their members and provide micro-credits to members for consumption, business, and social purposes. If they meet certain accounting and documentation standards required by the Bank-linkage program, SHGs will get access to financial services provided by the formal banking system. This allows the groups to invest their savings safely and to borrow from banks, strengthening their funding base for own lending activities. All these issues make SHG membership attractive and promote the further extension of the SHG movement.

Originally designed primarily as small micro-finance institutions, SHGs have evolved to a basic cooperative structure of small multipurpose groups applying self-help. SHG turned out to offer an adequate institutional framework for providing non-financial services and enabling mutual support. Depending on the respective local conditions, specific needs, and initiatives of their members, SHGs supplemented their financial services with organising collaboration in farming, craft, and other entrepreneurial activities, including input supply and marketing, as well as social services. Emerging to such multi-purpose SHGs has been typical already for rural cooperatives initiated in the mid-19th century by Friedrich Wilhelm Raiffeisen. Larger business and broader service diversity contribute to improving effectiveness and efficiency of the individual SHG enhancing the livelihood of their members.

The self-help movement shows a dynamic development. Hardly anyone had expected such a success. Today, 8 to 10 million rural SHGs exist in the Indian Union, covering an estimate of more than 100 million member households. 90 % of the SHGs are women SHGs. If assumed that each member represents a household of 5 persons on average, SHGs impact 500 million people belonging to the poor part of the rural population – a vast reach, considering India's 1,3 billion inhabitants with around 60 % living in rural areas. Such large coverage is due to SHG's potential for outreach and for mobilising self-help capacities, their low-cost approach, and flexibility towards meeting different needs of group members. Adding to the direct economic benefits SHGs have an enormous positive impact on social cohesion among their members, on the improved ability to solve social conflicts, and on the empowerment and strengthening of the social position of women within their families and in their communities.

Despite the tremendous positive impact on the economic and social situation of the poor, especially in rural areas, SHGs as a structure of informal, small, basically stand-alone women groups face many constraints and challenges limiting their service capacity, bargaining power, and even hindering and/or endangering their sustainability.

Therefore, following good cooperative practices, in the late 1990s SHGs began uniting themselves into networks of member-owned, bottom-up structured multilevel federation systems on village-, mandal- (sub-district), and district-level. This process was initiated and accompanied by external support through the SHG Promotion Institutions.

Like so-called secondary institutions of other cooperative organizations, the SHG Federations' mission is to help their local SHG constituents through supportive and complementary services. They support local SHGs in performing their duties to their members and promote the further extension and advancement of the SHG network. As such, the multilevel structured federation system follows the principle of subsidiarity, which is the basic rule of any bottom-up structured cooperative system. This means that the upper-level federation supports and supplements lower-level SHG institutions taking over functions and services, which cannot be (economically) performed by the latter.

Depending on the legal, regulatory, and taxation conditions of the respective Indian state, federations are not always registered under a cooperative law. But even then, their internal governance structure and mission remain usually cooperative-oriented. In some states, federations on village level and sometimes also on sub-district level chose to retain their informal status, often to prevent inadequate state supervision and state contradictions potentially linked to registration. Mostly, however, federations above the village level strive to obtain a formal legal status as cooperatives or in any other suitable legal form in the respective state available.

The development of federations varies across the country. Slightly more than 50% are located in South India and about 40% in East India. Federations are providing several services to their constituents, which can be grouped in institutional development, financial intermediation, livelihood enhancement, business support services, and social intermediation. In general, the federation structures are still more or less in a building phase. But federating has already proven to bring

many benefits to SHGs and their members including: mobilising economies of scale, extending value chains, broadening and deepening of SHGs' service packages, and enabling capacity building among primary members, managers and professionals etc..

However, to realise the full benefits of SHGs and to ensure sustainability of the multi-level SHG structures, SHG members have to develop and maintain awareness of ownership. They have to care for a member-based governance and sector-own control (SOC), comparable to the Indian terminology of "self-regulation". This comprises important tools such as active participation of SHG members in governance and control, transparent accountancy, sector-wide internal control, and regular (compulsory) external audit on all institutional levels. Implementing such a member-based and properly institutionalised SOC concept has been and may always be a challenge for every cooperative structure and applies, therefore, to the SHG movement as well.

In the Nizamabad District of the southern Telangana State, a cluster of five Mandal SHG structures (so called Kamareddy cluster) has successfully piloted the development and implementation of such a common SOC model. The pilot process was bottom-up structured, starting with the members and their SHGs, followed by the next-level SHG institutions of the cluster. Almost as the cornerstone of the pilot system and as the beginning of mainstreaming SOC among the SHG movement, a supervision federation of the Kamareddy cluster, the Paryavekshana Samakhya, has been established. The federation institutionalises member-based sector own control and development (consultancy-) services. The Paryavekshana Samakhya is in charge of auditing the governance structures and the financial results, of providing capacity building, development services to cluster institutions, as well as institutional support and advisory services for SHG structures in other regions. It is equipped with trained management and staff, recruited among the SHG membership, comprising auditors, accountants, trainers, resource persons etc.. As such, it followed a century-old proven German cooperative tradition and good practice

of conducting SOC services, strictly separated from business activities, through a network of member-owned supervisory federations.

The pilot phase has been completed for some time. Substantial external financial and intensive consultancy support had been provided by the government-promoted Society for Elimination of Rural Poverty (SERP) and the Indian non-governmental organisation Mahila Abhivruddhi Society (MAS) and the German Cooperative and Raiffeisen Confederation (DGRV) within the framework of its cooperative development activities. However, it is to emphasise that for conducting the SOC pilot as well as its scaling-up at any time the SHG cluster itself had been in charge. Currently, the concept is in a scaling-up phase. With continued support and cooperation of all relevant stakeholders, other SHG structures are in the process of adopting the SOC concept in whole or in part.

In the meantime, based on the positive experience with women SHGs, the cooperative self-help model is being extended to other self-help movements. Particularly, small farmers are establishing a network of farmer producer groups and farmer producer companies as their secondary institutions. Furthermore, the SHG-Model is also being used for improving the livelihood of sub-urban and urban poor, particularly slum dwellers. The Indian experiences and insights from the SHG movement – modified according to local conditions and needs – could prove to be an adequate institutional frame to properly organise collaboration structures with similar objectives in other countries. From the point of view of IRU, the positive results of collaboration between DGRV and MAS conducting the SOC pilot confirm the importance and mutual benefit of exchanging experiences and knowledge about good practises between cooperative systems.

Evolution of the mutuality principle from reciprocity among members to the pursuit of the general interest

Giuseppe Guerini

In the evolution of the experience through which Italian cooperatives developed, the onset of social cooperatives and their evolution certainly represents a phenomenon of great interest, which in recent years has also attracted significant attention by researchers and policy makers, also outside of Italy. There is not enough space here to recount the story, so I will focus on how this experience has helped to provide new interpretations of the mutuality and social function of cooperatives, transforming the original message of all cooperative experiences into one which is modern and prophetic: solidarity and mutual aid among people become an organised entrepreneurial force, capable of achieving social and economic transformations intended to create and produce “shared goods”.

The fact that cooperatives in all sectors had a social function deriving precisely from a form of mutuality that was shared among members and was capable of organising economic activities that were not limited to the pursuit of the members’ interests, was a legally recognised principle, so much so that the Italian Constitution of 1947, under Article 45, entrusts the legislator with the task of promoting cooperatives due to their social function.

In the cooperative movement, this principle is given ample space in the Laidlaw report, presented at the 1980 Congress of the International Alliance of Cooperatives, which urged co-operators to promote new forms of cooperation to enhance the solidarity network present in local communities, in view of the “double purpose” of cooperatives.

Nonetheless, ten more years had to go by before Italian institutions gave their social solidarity cooperatives an innovative legislative and regulatory framework, finalised by Law no. 381 of 8 November 1991, which established social cooperatives as a special form of cooperative organisation.

Prior to their legal recognition, there had been many experiences of work cooperatives, the objective of which was to respond to growing social needs and to implement projects of social inclusion for disadvantaged people. It was then that the concept of social solidarity cooperatives was introduced. These were approved mainly as work and service cooperatives. Yet, by achieving gen-

eral interest objectives, they expanded the concept of mutuality, offering services and benefits for people who were not necessarily associated with the cooperatives. The first of these social solidarity cooperatives to be written into the register of companies at the Court of Brescia in 1963 was the Cooperativa San Giuseppe, founded to provide and manage assistance and care for people in need. Hence, it was established not for the members of the cooperative itself but –in order to provide assistance to their community - through their work and commitment. A wider concept of mutuality thus took shape and enriched the cooperative movement of an entrepreneurial function in the general interest, but also merged business and solidarity into a single economic and organisational project.

The success of Italian social cooperatives, which, following their legal recognition, experienced a season of growth and proliferation over the span of 30 years, led to the creation of at least 16,000 social cooperatives, 12,000 of which are operational and about 9,000 of which are members of a great family, the Alliance of Italian Cooperatives. Social cooperatives have been able to develop and adapt to the profound changes that have affected Italian society, offering services to almost 7 million citizens, and employing more than 350,000 permanent employees. Among these, there are also 30,000 disadvantaged employees, thus making Italian social cooperatives the most successful enterprise model for job placement.

The growth of social cooperatives has followed the trend in welfare policies and has been able to use the mutuality cooperative model, providing, through solidarity and by taking on a social function, answers to the needs of people, identified mainly as individual needs: assistance to people with disabilities, people who are marginalised or at risk of exclusion, and fragile individuals in general. This concept of “expanded mutuality” and the solidarity mission responded to these needs through the entrepreneurial organisation of services, assuming a task on behalf and account of the local community, often mediated by local public authorities. In this sense, social cooperatives were mainly service cooperatives, and ex-

panded mutuality performs the public function of responding to the general interest.

In recent years, however, people's needs have been changing rapidly, and organising care and assistance services is no longer enough to completely fulfil that general interest function and shaping the common good that characterised the recent past. In fact, the social cooperatives that are most attentive and involved in their local communities are increasingly intercepting complex requests and requests from service providers, built around providing assistance and care. They are increasingly becoming community platforms with a multitude of functions aimed at promoting and supporting the central role of citizens. They deal with social housing, urban development, cultural activities, social tourism and accessibility, social agriculture, job search, and training and education.

New forms of interpretation of the concept of expanded mutuality thus emerge, as well as of that of economic operators concerned with acting in the general interest. These forms are necessary for an even better discernment between models of cooperation. We therefore need to rethink the model of economic organisation and the idea of development, if we want social cooperatives to be able to face the challenges of the future. This role must go beyond the management of social-assistance services and work placement, to continue embracing the concept of local development more fully, with a model of the cooperative action within communities as an agent for transformation that strengthens social ties among people.

Working for local development requires acting with a wider view to integration, both with other enterprises, and with other institutions of the tertiary sector, in order to develop a greater inclination for innovation and avoid being confined to the role of mere service providers on behalf of a public administration which is increasingly less open to innovation. Indeed, the innovation which is required of us means that we must reconsider also the concept of "expanded mutuality", the great innovation introduced by social cooperatives in cooperative economic and legal thinking. This must find a new phase for the re-interpretation

of the role of the forms of organisation centred on solidarity, participation and being shared to enable actions of social, economic and institutional transformation and innovation. This re-interpretation could benefit from the potential introduced in Italy by the recent social enterprise reform.

This reconsideration is key to ensuring that cooperatives find a way to be promoters of services and innovations, to be placed in the context of a circular economy, of a shared economy, of sustainability and the digital challenge. In these new contexts of digital economy, cooperatives could field their specific inclination to generate and redistribute resources across local territories and communities. This is a renewed version of expanded mutuality, which is projected towards the future, also thanks to the help of new technologies. In particular, the specific mindset of social economy and of mutualistic forms could provide an important contribution on five major issues: promotion and protection of the quality of life (welfare in a wide sense); promotion and protection of the quality of the environment and dwellings (sustainability); accessibility and quality of food; sharing and dissemination of renewable energy; democratisation of the data process and communication networks.

As regards these issues, social cooperatives have the responsibility and duty to remain in step with changing times and identify as early as possible the methods through which, in the scenario of the transformations of work and the economy, there can still be space for local people and communities.

For each of these macro topics, there is a specific peculiarity in terms of mutuality that social cooperatives can put into play to make it available in the broader debate on the future of the cooperative movement.

Many social cooperatives seek to develop a greater openness to innovation in order not to remain limited to the role of mere service providers, and try to be the promoters of services and innovation, also with the intention of placing themselves in the context of the circular economy, the shared economy, of sustainability and the digital challenge. These topics have a strong correspondence with the 17 objectives of sustainable development

promoted by the United Nations, but which are above all issues that highlight the need to stop the increasing growth of inequality.

These new conditions now open up a very interesting scenario which must be explored in full by cooperative endeavours, which at this point can also add to their internal mutuality social function, the more extensive function of being social enterprises, which have recently been introduced in European and Italian legislation as organised forms of economic activities intended to achieve social objectives in the interest of the general public. To a certain extent, all cooperatives can therefore move in a dimension of mutuality which is wider and closer to the interest of the general public. The emergence of social enterprises must turn into a great opportunity for the entire cooperative movement to rethink and modernise the concept of mutuality, transforming this principle that was “for specialists” into a living concept that can be nourished and enhanced through dialogue with local communities and with participation, subsidiarity and the search for the common good.

To a certain extent, qualification as a social enterprise could allow any cooperative that wished to operate by relaunching the social and participatory dimension of the great demand for sharing, to find an expression on virtual platforms, proposing a “mutuality 4.0” that is rooted in the real life of people, in job seeking, in looking for quality in consumership and life, in relations, in caring for the environment, in the promotion of and participation in culture and knowledge.

Social entrepreneurship may allow cooperatives to reinvent mutual aid, adding to the reciprocity of interests among members the expanded reciprocity of their own social and work communities. This mutuality “marries” the interests of the general public and becomes generative, thus transforming “market” areas where development is inclusive. Through this operation, the cooperative movement has the possibility of projecting the mutual aid principle into the new millennium.

The “open door” policy and voluntary participation by members turns a cooperative enterprise, wanting to operate in a community (be it local or larger), into a platform for participation with high

potential. From a certain point of view, this also puts cooperatives in the position to become social enterprises with added value, that of participation and responsibility towards an audience of members which is theoretically unlimited.

To explore and develop this potential, however, moving quickly and starting afresh from the evaluation of how solid and authentic the mutuality foundation actually is will be crucial, because it will be necessary to be able to start from the current members of the cooperatives to win over future potential members who may inspire a potential for development and economic and social growth, to continue modernise and keep the ‘cooperative bet’ on a democratic and participatory social economy up-to-date. Also in relation to social cooperatives, this means re-inventing the solidarity-based mutuality which has characterised their history and evolution to relaunch the new forms that it can and must assume in light of the innovations introduced by the onset of social enterprises, but also by the transformations that the development of the digital economy is introducing.

These transformations deeply question also the organisation and management of welfare services, not only because the impact on the world of work and the risks of loss of thousands of jobs could impact the social protection system; but also because they could penetrate fully the forms and manners of delivery and management of welfare services in health and education.

Access to the future digital welfare for all citizens will be one a major issue in the coming decades, and therefore one of the missions of social cooperatives must be that of containing the growth of inequality in access to care services.

We must be aware that not even optimal organisation of work through efficient machines and algorithms restores in the workers that feeling of solidarity and protection that stems from sharing the same destiny. But we also need investment and commitment to ensure that this feeling of solidarity and sharing is both genuine and well cared for.

This is the scenario that social cooperation must be able to tackle with much more complex responses than simply optimal organisation of

work or contractual coverage, in order to piece together a dimension of meaning and care in organising assistance and aid. Therefore, we must return to the origins of the mutuality experience, to the ability and specificity of social cooperatives stemming from and developing in local communities, in direct contact with the needs of people, but also with the possibility of involving stakeholders in the construction of responses to their demand for social protection. This is why social cooperatives must develop the ability to use the potential of these new technologies to better develop their function aimed at merging identity and solidarity in a common destiny. This may help us to build communities where people experience a sense of belonging and feel protected, conferring dignity and opening spaces to “represent” work, thus providing legitimacy and citizenship to the various forms of work in the wide field of the “welfare of the future”

Certainly, the new technologies will improve the functions of work organisation and distribution, which will be handled with greater efficiency and punctuality by machines and digital platforms; at the same time, identity, solidarity, protection and the legitimacy of participatory governance are still in need of organisations made up by and with people and communities. We must, however, work to include the new technologies as best as we can, to improve the ability to generate inclusive relationships, the commitment of people, and solidarity and mutual responsibility among people.

Indeed, one of the big problems that we face concerns, on the one hand, accessibility to these new technologies and, on the other hand, the kind of governance and the regulatory mechanisms that we must implement to stop the enormous potential for development of the digital economy from being concentrated into the hands of a few, as unfortunately has already been happening far too quickly. By contrast, the cooperative model of social participation, with the central role of members, can potentially keep a window of democracy open in the evolution of a society based on communications and artificial intelligence.

The cooperative, therefore, even when it takes

advantage of the new technology of connections and collaboration on platforms, may be much more than a virtual space for collaboration, but an actual space that is shared and for sharing. Cooperating is in fact much more than collaborating. It is a ‘doing together’ that feeds on reciprocity, and this reciprocity is at the heart of mutuality. Certainly, digital mutuality cannot then settle for the dimension of “sharing”, but must learn to exploit its potential, both to give birth to new cooperation, and to respond to the diversification of needs, as well as to radically innovate existing cooperative companies and feed the assets of local communities and territories and, through new technologies, also the assets of “virtual communities”.

Work and welfare are the foundation of the experience of social cooperatives that we must revive also in the foundation of a digital economy, starting from the ability demonstrated by cooperatives in organising responses to emerging needs, and moving through the job placement experience of social cooperatives that were able to bring people who had been excluded from the labour market and the traditional economic systems back to production. It is now a question of finding a way to put that creativity to fruition, and try to make the new industrial and economic revolution driven by digitisation and artificial intelligence more democratic, accessible and inclusive.

Community-based cooperation.

From local experiences
to a short manifesto
for local development

Giovanni Teneggi

In 2003, a research by Confcooperative Reggio Emilia into the social and economic presence of its members in the Italian Apennines focused on the organisations among them that could not easily be placed alongside the others as typical forms of mutuality. The name of the village featured in their articles of association or even in their name, and their goal was external, in that it targeted the needs of the entire community: 'Valle dei Cavalieri', active for 12 years already in Succiso, and the recently established 'Briganti del Cerreto' in Cerreto Alpi. Their presence helped words such as 'cooperative', 'community', 'locals', 'life', 'mountain' resurface together and with vigour.

The kind of mutuality that they were expressing – and which they still embody today in a more mature and eloquent manner – reversed the trend towards productive and technical specialisation by cooperatives at the service of a work or processing chain, and instead revived an older narrative, in which the cooperative was an integral part of the social and economic infrastructure in the life of the locals in a community. In the research that was carried out then, the description of those *anomalies* did not deal mainly with data and markets, as was the case for all other organisations, but with the stories and experience of their main characters. Devoting attention to these exceptions and

giving them space required understanding them as a collection of emotions, lives and destinies.

In those same communities, a small step back in time and space is all it takes to retrace a story in which cooperatives play a significant role and that is capable of bringing back to light a kind of mutuality that extended to the community and was not simply internal to the single organisations, but constituted a new phenomenon, even in comparison to the social mutuality which could be recognised in the then still young cooperatives described in Law no. 381/1991. We are talking about cooperative dairies, where milk is transformed into Parmigiano Reggiano. On that mountain, every village – or as they are called around here, every borgata – was identified by its own social dairy. They not only represented the place where milk from each family was delivered to so that its value could be transformed into cheese to be sold – where it was basically converted into its price –, but also as a meeting place for social interaction, for political and civic discussions and for further education and welfare. No definition or form of the welfare state were known then, but rural households could rely on the ‘dairy meetings’ to find help for the survival needs of their families in case of disease, death, abandonment or any other adversity in life. The social cooperative dairy was not only a production facility but also, and above all, a place where coexistence and the interconnectedness that stem from living in the same community manifested themselves. This experience was not unlike the rural cooperatives, consumer cooperatives and credit cooperatives of the Alpine valleys, which were intrinsically community-based, starting from the end of the nineteenth century throughout the developments that have

accompanied them to our days until, again, the life of these places showed that mutuality in communities is necessary and valuable and should be jealously protected.

The *words* chosen by the founders of Valle dei Cavalieri – some young members of the local *proloco* grass-roots association – when the organisation was established in 1991 in Succiso are emblematic of this return to a mutuality of *place*. The one surviving café and bar in the village had just closed its doors for the last time. However, what the young people feared was not so much its absence, but rather the fact that there would no longer be a place for social conversation. “We told ourselves – recalls Dario Torri, the President – if the bar closes down, where will we gather to welcome our friends and family when they come back?” In Cerreto Alpi, depopulation of the village and “the lack of children born here and who stay on to live here with their families”, along with the rebellion of the last few young people left against the inexorable truth of abandonment and migration to the valleys that “leaves empty houses and cold fireplaces behind”, led to the creation of the cooperative ‘I Briganti del Cerreto’. These words were spoken by Luca and Erika Farina, two of those young people who enacted this *subversion* by establishing the cooperative with the help of their fathers, mothers, uncles and aunts, of their family’s knowledge and – of course – their blessing. The children had to learn again the value of the woodland along with the hard work it requires, and the first fireplace that they lit up with the consensus of their community was the one in the *metato*, a small stone building used traditionally to dry chestnuts. When the Succiso bar reopened,

The cycle and development of a community cooperative



Source: Confindustria, AAVV, „La cooperativa di comunità: un circolo virtuoso per il territorio“, 2016

Cooperative 'I Briganti del Cerreto'



it was no longer a simple café and bar. It became a shop, and then a restaurant and a bakery, an agriturismo and environmental education centre, a farm and a service point for the local population. The rekindled *metato* in Cerreto Alpi does not simply dry the chestnuts of its woods so flour can be made from them, as was done in the past. It is the place where local children learn about their roots, and where visiting tourists staying in the restored water mill can listen to the stories told by the elderly people who still live there.

From these experiences, which are part of the broader story of community in the mountains and in Italian rural life, many others were born across Italy, even in metropolitan areas. They are all infrastructures featuring participation to maintain and revive vulnerable communities that were 'dying out', although their "embers" were still burning under the ashes. Many such 'embers', never extinguished and still providing a social harness in the villages and valleys, are easily recognized. Today, we call them community cooperatives, and we acknowledge this phenomenon and its moder-

nity in the face of growth dynamics that affect central areas such as cities.

After a long observation over 15 years, gathering knowledge, carrying out analysis and finding the code of these experiences, we can attempt to describe their modelling and thus move on from the collection of stories to the technical phase: dissemination, promotion and establishment. This action can now certainly refer to community mutuality and its forms as a tool for development in the social, political and economic context and in any context that could be identified as 'low-density' in terms of resources and accessibility. Indeed, we can by now find established reasons and successful practices in these experiences that allow for new reasons and practices in contexts that are not part of the most common growth trends that select and concentrate opportunities geographically, as well as in contexts with unsurmounted obstacles to social, political or physical access that produce abandonment in the mountains and social risk in the cities.

It is therefore clear that the significance of all this reaches much further than simply opportu-

nities for advertisement and continuing cooperation. It concerns, more generally, entrepreneurial development of the *white areas* on the map, those where the free market has failed, those which have been abandoned by profit undertakings and where the state has failed, in which public action has gradually withdrawn, losing an increasingly large part of history and local community to competitiveness, thus making it a place of risks and land-use issues.

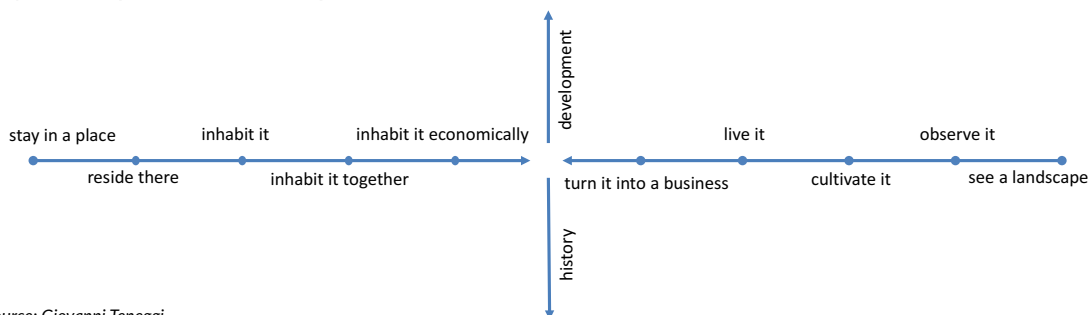
Having considered approximately one hundred cases of this kind, we can say that community cooperatives – i.e. cooperative enterprises constituted by the inhabitants of an area or region to organise economic activities and social solutions locally – succeed where others fail or give up.

Let us try to summarise the reasons for this. First of all, the companies that are part of community cooperatives embody the *epic* determination of their founders to resist. They are made up of visionaries, prophets who are part of the minorities that, in the face of all the adversities, do not want to leave, or who want to return. These are fearless initiatives that come with a certain risk, as well as human and historic determination – rather than a financial or technical purpose. It would be wrong to reduce this founding impulse to political and economic reasons, because it is actually typical of endeavours, always and in all contexts. The ability to dream and take on risks in relation to a social project and in critical conditions is expected and attractive, and it is often an ‘incubator’ for innovation and new forms of creativity. If we look at how

this ‘thrust’ is part of the visionary and technological innovation of *start-ups* in Italy and in the world, then it becomes clear that the anomaly of the recklessness that we tend to pinpoint and stigmatise in the areas that we are discussing is not related to the character of the idea itself, but to the context for which it is generated. This cultural discrimination tends to divide communities up in advance in terms of strong and weak ones, thus limiting the availability of interest and investment.

The members of these cooperatives, regardless of how they belong to the community (as natives, returning natives or aliens), find the starting point for their enterprise in local history, there where it was broken off or interrupted. Their strengths reside not only in innovation and change, essential though they may be, but first and foremost in listening and communicating. Their purpose is to establish a dialogue with a place that is again able to participate actively in a narrative. In our reference contexts, the entrepreneurial idea has social roots and requires cultural skills that bring the people and places who are involved to the forefront, and not just their activities and organisation. Precisely for this reason, the *leadership* which initiates and guides these processes, whilst representing minorities that are an ‘outpost’ for the local community, is always pedagogical in nature and authoritative. The institutional context that historically favours this development is relevant: a *pro loco*, family groups, third sector organisations or other cooperatives, resilient community agencies, such as parishes or sports associations, and local chapters of public bodies. When the context is insuffi-

Ways of entrepreneurial citizenship



Source: Giovanni Teneggi

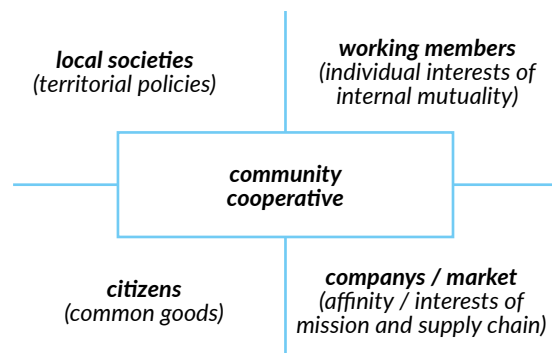
cient in terms of structures of this nature, it is co-operative planning itself that must re-establish it through temporary structures, support objectives and by adding to the existing social structure.

These two preliminary conditions let cooperative initiatives play an active role in the community and its development and portray the chance to bring latent opportunities for development, as they have privileged access *to local objects and houses*. When we have resourceful people and a story's broken thread to mend, these projects will naturally access tangible and intangible local assets, rediscovered and re-qualified to evoke identity, be useful to the community, and produce value-added economies that reach throughout the community. A forest, a local tradition, a historic courtyard, a road, craft-based knowledge: these are local assets, local heritage – both public and private – that become inaccessible when abandoned, and accessible, by contrast, when its owners propose an endeavour, an enterprise that is *recognisable* and *shows recognition*. A form of access to local resources *that takes into account* the local inhabitants who own them by right or tradition is also the prerequisite to ensure that the enterprise is feasible, authentic in terms of market demand and of its having common good as its goal. This trait cannot be taken for granted and is not obtained through persuasive practices of mediation, confrontation or expropriation. Community enterprises are convincing as they are active in terms of identity expression for local populations, reconciling the present with the history that originated it and generating solutions for life in the local community.

Sustainable community cooperation also proposes a revision of the paradigm of entrepreneurial profitability in the long-term perspective of cooperation and its non-speculative nature. Community cooperatives do not enrich anyone according to the purposes of profit economics, and they do not even maximise the value of the generated resources, in accordance with the purposes of economics of mutuality. In order to tackle the question of sustainability in their natural contexts, these initiatives have a key objective which is

centred around the common good of living in the community. Thus, we could say that community cooperation *remunerates* those who accept the challenge and take care of it *with life*. Its vision of the relations between the actors and the local resources is instinctively eco-system based, and knows that it has to balance the distributed values according to a shared life plan among the actors on the territory, both those who are direct members of the endeavour and those who simply live in the area that constitutes the social goal of the organisation.

The community budget is one of the most interesting practices modelled by these experiences. The final and higher accounting of the cooperative community activities has nothing to do with corporate profit, nor with the value of refunds to members, but rather with the added value determined by the cooperative activities for the locals and businesses in its community.



Source: Confcooperative, AAVV,
„La cooperativa di comunità: un circolo virtuoso per il territorio“, 2016

The co-operators whom we are speaking of here are community natives (or returning natives) and digital adults. They do not see contradictions or conflicts in these two dimensions (*social in the community and social online*), as they are capable of reinterpreting and having them join forces with cutting-edge productive, relational and geographic innovation, also in relation to the development of densely-populated territories. In their offer to the market, frequently also in the internal organisational mode, the *social web* extends the

boundaries of their natural area of reference and changes the physical characteristics of the land under discussion. They are no longer central or peripheral, but exactly at the heart of a world that has been rebuilt thanks to the new social and market relations that they have established. It is not uncommon for the borders of a single resourceful village with a community cooperative to be gradually offset by new communication routes opened in the market which bring an end to their inaccessibility. This technological and relational element always characterizes these experiences for the tension and capacity it has towards external and innovative added-value economies. The rediscovered and 'relit' *assets* become new production chains that disrupt the inertia that a purpose merely based on identity or the wish to be resilient would have. This community renaissance, however, in no case allows for the creation of a parallel relational world of virtual value, in which stories and assets are preyed upon and consumed. Each relation, online or in the community, has the immediate opportunity for physical and local expression, and in a certain sense it cannot endure if it is not brought to where the founding value of the initiative is expected. There is no *exit* from a community *start-up* for any of its beneficiaries, unless it is aimed at establishing something and bringing life to the place, to the community.

A final feature in this short manifesto of the community cooperative enterprise: it is embodied in the words alliance, coproduction and multi-functionality. These experiences are generated and developed in contexts of alliance among actors of different formal and informal, public and private nature. They do not entail production unless it is designed and developed in the chain with other actors on the territory. They do not entail any useful activities, in any sector, unless they are implicitly multi-functional and capable of generating solutions for local populations. It is clear, therefore, that the sustainability of the enterprise in critical contexts such as these is measured according to this rule in terms of experience: sustainability requires the qualification of the founding and productive processes in terms of adhesion to the

purpose of each social action and each agreement required or derived thereof.

The relevance of this model has become widely established, alongside the unique and extraordinary character of its individual experiences or applications. We are certainly facing a systemic evolution of the concept of mutuality, and it is no coincidence that this reveals a time-frame and a socio-economic context that, again, seek platforms for cooperation among people, methods of co-production, participatory institutions, and devices for the cohesion and management of growing social conflict. These outcomes are constantly present in community cooperation, which now also involves cooperatives that are already operating in initiatives to extend their action or in *spinoffs*, confirming its role as a reliable, more effective and less burdensome producer of confidence and opportunities for community governance.

Surviving together

The development of alpine dairy cooperatives and their importance to preserving mountain farming in South Tyrol

J. Christian Rainer

Mountains leave their mark. They leave their mark on the landscape, the people and the economy. This is no different in South Tyrol, 86 percent of the area of which lies at altitudes above 1000 metres. Moreover, as only around one-third of the entire area is used for agriculture, South Tyrol is a land not only of mountains but also of the mountain farmers who operate farms here at altitudes of 800 to almost 2000 metres above sea level. At altitudes like these, the choice of farming methods is limited; milk is the

most important mainstay for nine in ten mountain farmers.

A second characteristic of alpine farming in South Tyrol is the small size of the individual farming operations. Farms here cultivate 14 hectares on average and have no more than 13 cows. These figures may sound ridiculous when compared to large farming operations in favourable settings. Above all, however, they raise a question: How can a farm of this size survive in a market characterised by agricultural giants?

Collaboration in cooperatives as a recipe for success

The answer to this is a recipe with two ingredients. The first: The vast majority of alpine farms in South Tyrol are run as supplementary and secondary occupations. This alleviates the farm from existential pressures. The focus of this article, however, is on ingredient number two: on the collaboration among farmers in cooperatives that perform nearly 100 percent of the joint collection, processing and marketing of milk produced in South Tyrol. Thus, it is not the single mini-operation that confronts the competition on the market. Instead, it is a combination of mini-operations that join forces to attain a considerable size – and thus a certain market power.

To understand the roots of agricultural cooperatives in South Tyrol, one must consider their historical development. Even in the mid-19th century, mountain farmers in the southern part of Tyrol were mostly subsistence farmers who could distribute only a few of their products in the immediate vicinity: selling them to neighbours, to a few villagers nearby or at small markets. This model of direct marketing was particularly suited to milk, not least because it was perishable. Long transport routes were out of the question. The model of ‘From the udder to the churn to the table’ was the order of the day. For centuries, there was no need to deal with the laws of the market, supply and demand, or considerations of competition and pricing.

The railway as an engine for development

All this changed in 1867 when the first train crossed the Brenner Pass. This marked the first time that Tyrol to the south of the Alps was linked to the rest of the empire by modern transport. Just four years later, the railway opened up the Puster Valley, and in 1881 the spa town of Merano was connected to the rail network. The railway proved a catalyst for development: tourism perked up, new guests discover the countryside, and new markets for South

Tyrolean products opened up. So it was the railroad that parted the heavy, conservative curtain that surrounded South Tyrol. It brought in fresh ideas and, with them, new political freedoms. It opened up new markets, and with them came hitherto-unimagined opportunities for economic development.

Both developments provided the inspiration for establishing the first agricultural cooperatives in South Tyrol. The former development – those fresh ideas and new freedoms – paved the way, politically and socially, in the form of the Austro-Hungarian freedom of association, on the one hand, and the social-reformist approaches of Friedrich Wilhelm Raiffeisen, on the other. The latter development – the opening of new markets – presented farmers with completely new challenges that called for new solutions.

So it came as no accident that in June 1875, just four years after the opening of the railway line through the Puster Valley in the east of South Tyrol, an alpine dairy cooperative was launched: the ‘Registrierte Erste Swarz’sche Sennerei-Genossenschaft Hochpusterthal in Innichen mit unbeschränkter Haftung’. This would have been the first South Tyrolean alpine dairy cooperative, and in fact the first South Tyrolean cooperative in general, if the board of directors of the cooperative had not waited until 1879 to register their organisation in the Register of Cooperatives. Consequently, the title of the first officially recognised alpine dairy cooperative in South Tyrol meandered a few kilometres down the valley: to the ‘Registrierte Sennerei-Genossenschaft Niederdorf m. b. H.’, which was entered to the Register of Cooperatives on 12 March 1878.

But regardless of the registration date: the pioneers of the cooperatives of South Tyrol were five farmers, innkeepers and businesspeople from Innichen who recognised early on – and tapped into – the new opportunities that the railway had opened up. Right from the outset, their alpine dairy cooperative was running full-tilt; the Southern Railway itself was among the alpine dairy cooperative’s largest customers. Butter in particular – which seems to have been highly sought-after at the time – was delivered to the empire. The com-

pany that ran the Southern Railway thus asked the cooperative to 'bind the crates with wire and seal them to prevent butter from being "stolen away"'.

A model catches on

As could have been expected, in the years that followed, the successful cooperative model that had originated in the Eastern Puster Valley caught on in the South Tyrolean dairy industry. Fifteen additional alpine dairy cooperatives were established between then and the outbreak of World War I. The economic success of the first cooperatives may be a reason for this development. Another is probably because the subsistence farm had come to an end with the Industrial Revolution and the consumption and commerce of goods it fuelled. Elsewhere, this transition led to the demise of the farm, to rural exodus and urban misery. Not in South Tyrol. Here, where farmers have always been masters of their own fate, the independence so deeply rooted in agrarian DNA was a value the locals did not easily want to forfeit.

Raiffeisen's idea of reciprocity and the organisational form of the cooperative offered a way out of this dilemma: the disadvantages of small structures could be compensated by joining forces, yet without requiring the farmers to give up their independence. Rather than deliver milk to a large operation in the hands of an entrepreneur, the mountain farmers of South Tyrol opted to try to use joint farms of their own to collect, process and market their members' milk. This made the individual farmer not an insignificant cog in an anonymous system but rather a member and hence co-owner of a cooperative that, thanks to its size, could operate as a market player.

The watershed of war and fascism

However, the pioneering period of the alpine dairy cooperatives in South Tyrol in the early 20th century was followed by a phase in which the cooperatives had to fight for their survival. First, the alpine dairy cooperatives nearly dried up as a result of the First World War. This was followed by

Handwork: The greatest logistical challenge for the cooperatives was (and remains) the daily collection of milk. Shown here is the collection of milk at the Marling alpine dairy in 1958.



the award of South Tyrol to Italy, closing down the cooperatives' access to long-standing markets. This is why it could be said that in the early 1920s they had to start over from scratch, under new conditions, subject to new rules, speaking a new language and establishing new distribution networks – this time to the south.

Paradoxically, it was fascism that brought the alpine dairy cooperatives a second boom phase. Between 1923 and 1929 alone, 15 new cooperatives were established and joined the 17 already in existence. The reason for this boom was simple and – like so many others – lay in the survival instinct of the regime. To prevent social unrest, an effort was made to ensure that the population would be kept supplied with the vital necessities, even in the years of the economic crisis. And these necessities undoubtedly included milk. Because the regime was concerned for public health as well, hygiene standards for milk were raised as well.

Cooperatives thus enjoyed the support of the ruling regime; in some cases, they were even given a monopoly in the milk trade, as happened in the City of Brixen in 1929. Because there was more money to be earned through direct sale, however, unusual (illegal) business models flourished. For example, farmers would sell their milk shortly before the city policemen went on duty, with milk delivered to the city at six o'clock in the morning. In order not to rob the valued customer of sleep, farmers had keys to the entry staircase, where the fresh milk was deposited.

Downsizing after the boom

For all its difficulties, the cooperative model in South Tyrol became a model of success. The number of alpine dairy cooperatives peaked at 36 in 1960, followed by a rapid decline. It would be incorrect, however, to read this as a sign that the organisational model had lost attractiveness. Rather, it is a sign of changed conditions in times of unbridled capitalism.

Open markets, new possibilities in logistics, new dairy products, new players and new subsi-

dies – especially through Brussels – ensured that the South Tyrolean cooperatives grew too small and suffered one drawback in particular. Because machines are only usable to a limited extent on steep meadows, the feed base and cattle density are both low, and production costs in mountainous terrain are significantly higher than in favourable locations. In the wake of exponential growth in the cross-border exchange of goods during the 1960s, 1970s and 1980s, this meant that the market for raw milk market promised little success for South Tyrolean producers. Quality hardly counts here, and the only argument that counts is the price. In this price war, the dairy farmers of South Tyrol inevitably – or better: naturally – came up short.

The picture following concentration and specialisation

The alpine dairy cooperatives of South Tyrol responded to this market development with a strategy of concentration and specialisation. What were originally 36 small and micro cooperatives were thus combined in ever-larger cooperatives, of which ten still exist today - ten alpine dairy cooperatives that could hardly be more different. The largest alpine dairy cooperative around by far is Bergmilch Südtirol with around 185 million kilograms of milk collected, processed and marketed each year by 2700 members. Around a quarter of the milk produced in South Tyrol, on the other hand, flows into the area's second-largest cooperative, Milchhof Brixen, which in 1978 specialised in the production of mozzarella, a cheese variety that was hardly known at the time. The reward for the risk: With at least 180 tonnes of weekly production, Milchhof Brixen has become one of the largest mozzarella producers in Italy.

The concert of the big operations also includes Milchhof Sterzing, with just over 50 million kilograms of milk delivered annually. Here too, the cornerstone of success was laid in the 1970s, again with specialisation in a particular product: yoghurt. At that time, the Sterzing were ploughing a market that scarcely existed in Italy but would boom in the years that followed. Today, Milchhof

Sterzing produces and sells more than 50 million kilograms of yoghurt annually. Yoghurt also leads the product range for Milchhof Meran, where around 90 percent of the 30 million kilograms of milk delivered annually are processed into yoghurt.

Along with the top dog, Bergmilch Südtirol, and the three major cooperatives in Brixen, Sterzing and Merano, there are five smaller alpine dairy cooperatives still active in South Tyrol as well. The Drei Zinnen alpine dairy cooperative in Toblach, the Sexten cheese dairy, the Burgeis alpine dairy cooperative, the Algund alpine dairy cooperative and the Psairer alpine cheese dairy rely mainly on niche markets on which their businesses depend. Finally, there is a highly specialised South Tyrolean cooperative for goat milk operating under the aegis of Bergmilch.

Old model, lasting success

The development of the alpine dairy cooperatives in South Tyrol is an impressive demonstration of how up-to-date reciprocity and collaboration have remained to this day. Even in markets as competitive as those of the agricultural sector. This may owe to farmers' roots in 'their' cooperatives, but it is also down to the fact that the cooperatives have shown that they can respond to challenges and keep pace with change. The creation of cooperatives was the right answer to the social upheaval of the second half of the 19th century; later on, cooperatives rose to the challenges of the day through concentration and specialisation. And through collaboration – not just internally, but among cooperatives as well. Hence, quality control is carried out in the South Tyrolean Alpine Dairy Association with the joint support of members cooperatives.

Ground-breaking projects – such as the introduction at the turn of the millennium of a production chain that is consistently free from genetically modified ingredients – are also being launched together. Today, dairies are working together closely on lactose-free, organic or pasture milk.

Cooperation in South Tyrol's dairy industry is thus not a buzzword but a recipe for success. Or better: a recipe for survival, as if not for the cooperative collection, processing and marketing of milk, the farms of the mountains of South Tyrol would not stand a chance. Nor, without them, would the province itself, either.

Signed and sealed: The milk of all of the cooperatives is subject to strict hygiene and quality controls in the laboratory of the South Tyrolean Alpine Dairy Association.



The influence of the idea and practice of Raiffeisen on the agricultural co-operatives in Japan

Emeritus Masahiko Shiraishi, Akira Kurimoto

1. Introduction

The idea and practice of Friedrich Wilhelm Raiffeisen embraced three principles of self-help, self-administration and self-responsibility. Since he assigned both material and idealistic purposes to the co-operative credit societies, it should be understood that “he did not solely see the purpose of these societies in granting members credit, but rather also in the moral, developmental and educational tasks of the co-operative.” as described by W. Swoboda (International Handbook of Cooperative Organizations: p.315).

Raiffeisen’s idea and practice gave momentous impacts on the promotion of the rural co-operative movement not only in Germany but also worldwide. Alphonse Desjardins as a founder of credit unions in North America and the Indian Co-operative Credit Societies Act in the beginning of the 20th century are well known examples of his impacts, but the Japanese agricultural co-operatives (Nokyo) also received his influence in many ways although they have taken the different trajectory adapting to the political and socio-economic environment and become the world-class organizations comparable to the German counterpart. Raiffeisen’s idea and practice have been widely disseminated among co-operative leaders and members through training/education courses and booklets/journals while his places in Rheinland have been the most popular destination for Nokyo Tourist Corporation. Raiffeisen has been repeatedly studied by researchers of agricultural economics (See selected bibliography). In the conference of the Japanese Society for Co-operative Studies in 2018, a special lecture was presented under the title “Thinking about Meanings of Co-operatives based on Work of Raiffeisen”.

This chapter begins with the profiling founders of indigenous rural co-operation before Raiffeisen, namely Yugaku Ohara and Sontoku Ninomiya. Then, it explains the formation process of the multi-purpose rural co-operatives under the influence of the idea and practice of Raiffeisen through the Industrial Co-operative Act of 1900. The development of the multi-purpose agricultural co-operatives under the Agricultural Co-op-

erative Act of 1947 and their current situation are described in detail.

2. Founders of Japanese indigenous co-operation: Yugaku Ohara and Sontoku Ninomiya

2.1. Moral values and practices of Yugaku Ohara



Yugaku Ohara (1797-1858, Chiba Prefecture) was a pioneering leader of local agriculture in the late Edo period. He had organized a kind of rural co-operative society called “Senzokabu Kumiai” with 11 villagers in 1838 under the circumstances of declining feudal system and penetrating the market economy since the 1830s. It is worthy of remark even now that the pillar of this society was the combination between moral values that prohibited gambling, adultery, luxury and intemperance etc. and the system of rural co-operation with jointly held farm property that promoted savings, living-goods purchasing and educational activities by members.

Yugaku Ohara maintained that the membership should be approved, after the all members agreed through the discussion. He promoted members’ education at educational center built on the hill in the village by members’ subscription. Besides, this society introduced the barter system of a parcel of farmland, and developed extension activities of new paddy production technology in Nagabe village in current Chiba Prefecture. After that, the system began to spread in other villages. Also, it would be worthy of remark that “Senzokabu Kumiai” organized savings business, living-goods purchasing and educational activi-

ties earlier than the Rochdale consumer co-operative in 1844, the Raiffeisen's rural credit co-operative of 1862 and the new type of multi-purpose co-operative including the credit and purchasing business in 1869.

However, central government prohibited to organize this kind of rural co-operatives with the educational center, though the local feudal government had admitted them for rural and agricultural development. After the government's inquisition, he was convicted and closed the whole life of 62 years old by suicide. The foundation of the rural co-operative was allowed after the formation of new central government after the Meiji Restoration in 1868 that oriented capitalism-based development and introduced a system in which farmland was admitted as the private property of farmers from 1873.

2.2. Moral values and practice of Sontoku Ninomiya



Sontoku Ninomiya (1787-1856, Kanagawa Prefecture) was an economic thinker, moralist and agricultural leader in the late Edo period. He helped urban and rural people to organize a kind of mutual credit society. He also combined moral values with economic practices. These values included quest of truth (or laws among universe, earth and people), industry (or working hard), thrift in the living and concession for self-help toward future and caring for others.

The mutual credit society was characterized by paying no interest. However, members received credit with joint liability, accepted the concession in thanks for the association, for which the amount corresponded to the low interest. This credit society's concept was succeeded by the first

modern co-operative law of 1900 which received the influence of the idea and practice of Raiffeisen. It included a system of equitable saving, low interest loan and unlimited liability system comparable to Germany's co-operative credit system of Raiffeisen.

3. The formation of the multi-purpose rural co-operatives under the Industrial Co-operative Act in 1900

Because Japan had built its legal system following the German legislation based on the imperial sovereignty, the German legal advisors to the Japanese government such as Mr. Paul Mayet and Mr. Udo Eggert suggested creating the German-style co-operatives. In 1891 Mr. Yajiro Shinagawa, then Interior Minister, and Mr. Tosuke Hirata, then Legislation Bureau officer, who both visited Germany to study the legal system, submitted the draft of Credit Society Act based on Schulze-style co-operatives but in vain. They succeeded to enact the Industrial Cooperative Act in 1900 based on Raiffeisen-style rural co-operatives. This Act regulated four types of business including credit, supply, marketing and production (later replaced with services) under a system of limited liability, unlimited liability or liability limited by guarantee. The revision in 1906 allowed co-operatives to conduct the credit business together with the other businesses. Thus, multi-purpose rural co-operatives emerged and expanded. Raiffeisen's idea and practice gave a great impact to modern co-operation in Japan in terms of legal provisions including unlimited liability and multi-purpose co-operative system while co-operative thought and practice of Ohara and Ninomiya were taken in the credit business and human resource development.

Farmers' members gradually increased from 1,067,000 (19.3% of farmers' households) in 1915, 2,686,000 (48.4%) in 1925, to 4,266,000 (76.5%) in 1937. Multi-purpose type including credit, supply, marketing and other business increased from 946 co-ops (8.2% of all) in 1915, 3,161 co-ops (21.8%) in 1925, to 10,362 co-ops (71.4%) in 1937. Co-operatives

with the unlimited liability decreased from 61.9% of all co-ops in 1905, 31.7% in 1915, 12.9% in 1925 to 5.7% in 1937. On the other hand, co-operatives with liability limited by guarantee increased from 0.6% in all co-ops in 1905, 2.0% in 1915, 1.8% in 1925 and 89.4% in 1937. Eventually, all co-operatives adopted limited liability system. The composition of members was landowners (5.9%), landed farmers (24.0%), half landed farmers (38.0%), tenant farmers (21.0%), and others (12.0%) while that of officers such as board of directors and auditors was landowners (36.0%), landed farmers (47.6%), half landed farmers (11.0%) and others (5.4%) in 1933.

The war time economy changed the nature of rural co-operatives with the introduction of Agricultural Organizations Act in 1943 which integrated agricultural co-operatives with agricultural societies founded as state agents for disseminating farm-related technology and put them under the strict control of the government. It meant these co-operatives became state organ losing their independence. However, these agricultural organizations were dependent on the credit, supply and marketing business of co-operatives including diverse kinds of farmers' associations before the World War.

4. The evolution of the multi-purpose agricultural co-operatives under the Agricultural Co-operative Act of 1947

4.1. The characteristics of the multi-purpose agricultural co-operative movement

The agricultural co-operatives underwent the drastic institutional and organizational changes as a part of economic democratization measures after the World War II. First, the agricultural structure was reorganized by the agrarian reform, in which the government exercised the compulsory purchase of all tenant farmland from landlords who lived in urban area. The tenant farmers purchased the tenant farmland from the government at a low land price in time of hyperinflation during 1945-48. Tenant farmers' land decreased from

2,368,000 ha in 1945 to 515,000 ha, or around 10% of farmland in 1950. On the other hand, owner-farmers' land increased from 2,787,000 ha in 1945 to 4,685,000 ha in 1950. In this way, tenant farmers became owner farmers, although average land holding was 0.84 ha in 1950.

Secondly, the co-operative law system was transformed to the separate legislation in line with industrial policies. Agricultural Co-operative Act was enacted to cement the effects of agrarian reform in 1947, followed by Consumer Co-operatives Act of 1948, Fishery Co-operative Act of 1948 and Small and Medium-Size Enterprise Co-operatives Act of 1949, Shinkin Bank Act of 1951 and Labor Bank Act of 1953 to serve the specific needs of respective co-ops.

Thirdly, Agricultural Co-operative Act of 1947 has the following characteristics:

1) only farmers can be regular members, while non-farmers can become associate members, 2) the types of business include credit, insurance, purchasing, marketing, processing, facilities for agriculture and living, guidance for agriculture and living, educational and cultural activities.

13,314 multi-purpose agricultural co-operatives and 19,787 special purpose agricultural co-operatives were set up by 1949, mainly through the transformation from agricultural organizations. Government data showed that each multi-purpose agricultural co-operative had 5,399,000 members (4,836,000 regular members and 515,000 associate members). This means that 77.4% of the 6,247,000 farmers had become regular members.

Fourthly, agricultural co-operative structure was characterized by:

1) multi-purpose agricultural co-operatives were occupying the mainstream, while the majority of special purpose agricultural co-operatives were weak, small in scale and mainly having no subscription;

2) member groups like hamlet groups, commodity-based groups, living culture groups and youth & women groups in multi-purpose agricultural co-operatives contributed not only to the promotion of autonomous association at the local level, but also to the democratic governance of multi-purpose agricultural co-operatives;

3) the agricultural co-operative federations contributed to the promotion of co-operative education, credit business, purchasing and marketing/processing business, health and elderly care at the prefecture and national levels through inheriting activities before the World War II. The insurance business was not allowed due to the resistance of the industry, and so initiated by co-operators under the new legislation after the war.

4.2 The evolution of multi-purpose agricultural co-operatives in the post-war recovery, and economic growth stages

First, multi-purpose agricultural co-operatives at the post-war economic recovery stage was characterized by the homogeneous landed farmers in multi-purpose agricultural co-operatives, the governmental intervention to cope with serious food shortage contributing to stabilized their purchasing and marketing businesses. After that, multi-purpose agricultural co-operative business suffered management problems by the delay of co-operative business model change in the deregulation stage of agribusiness market except for rice and wheat marketing under the Foodstuff Control Act.

Secondly, the business and management of multi-purpose agricultural co-operatives gradually stabilized, and the federations introduced new co-operative business models like joint marketing, joint purchasing policy of fertilizer and saving & credit policy, and formation of women & youth groups after the 1950s during the stage of economic growth. The guidance of agricultural co-operative federations at the prefecture and national levels was transferred to the central unions of agricultural co-operatives at the prefecture and national level that were given leadership in making agricultural co-operative policy and compulsory auditing through the revision of the Agricultural Co-operative Act in 1954.

Thirdly, the member structure of multi-purpose agricultural co-operatives were changing from homogeneous farmers to heterogeneous farmers with differentiated interests among full-time and part-time farmers, large-scale and smaller farmers

and farmers concentrating on rice and those who operate dairy or mixed production. The reduction of regular members and increase of associate members took place under the urbanization together with depopulation in mountainous area. The number of multi-purpose agricultural co-operatives decreased from 13,314 in 1949 to 4,546 in 1980 through the amalgamation among the co-ops including special purpose agricultural co-operatives. In 1980, 5,641,000 members were regular members while 2,244,000 members were associate members. This means that 110 % of 4,614,000 farmer households had joined the regular members of multi-purpose agricultural co-operatives through plural membership including husbands and wives or successors in a farmer household. Also, associate members increased to 28.5 % of total membership

Fourthly, the business of multi-purpose agricultural co-operatives developed through the reinforcement of management and amalgamation of multi-purpose agricultural co-operatives. The joint marketing and joint input purchasing business were oriented to needs of both regular members (farmers) and consumers, while joint purchasing of consumer goods and credit & insurance business were oriented to needs of both regular and associate members. The government support policy to agriculture and agricultural co-operatives also contributed to economic growth.

4.3 The reform of multi-purpose agricultural co-operatives at the globalization stage

Multi-purpose agricultural co-operatives confronted with a rapid increase of agricultural products' import and the deregulation of the banking system under neo-liberal wave since the 1980s. Especially, the expansion of rice import by minimum access obligation through the WTO agreement generated a serious threat to rice production from 1995. The compensation system for farmers' agricultural income was not sufficient in spite of the introduction of Food, Agriculture and Rural Areas Basic Act in 1999. The national and multi-national supermarkets, the food service and food

processing industries are becoming more powerful than agricultural co-operatives. Also, mega banks and insurance companies expanded by M&A beyond borders and industries. Amid these drastic changes of economic conditions, the agricultural structure has also changed from 1995 to 2015; farm household (-49.8%), population mainly engaged in farming (-38.5%), cultivated land (-10.8%) and agricultural production (-34.1%). However, the scale per farm has steadily increased and the export of agricultural products expanded.

On the other hand, Japanese agricultural co-operatives started implementing the structural reform plan of horizontal and vertical integration adapted by the 19th National Congress of Agricultural Co-operatives in 1991. In addition, Japanese agricultural co-operative movement chose to promote activities based on the Co-operative Identity through the introduction of “the Japanese Co-operative Declaration: Aspiration of Our JA” adopted at the 21st National Congress in 1997.

5. Current situation of multi-purpose agricultural co-operatives

First, the process of the structural reform of the Japanese multi-purpose agricultural co-operatives is characterized by a drastic decrease in the number of multi-purpose agricultural co-operatives from 2,457 co-ops in 1995 to 686 co-ops in 2015, through the horizontal amalgamation among mainly neighboring multi-purpose agricultural co-operatives. As a result, average number of regular members have nearly tripled from 2,214 to 6,462. In addition, the composition of regular members changed from one person per farm household to plural persons including the husbands, wives or successors. The total membership including associate membership increased by 114.9% in the same period. This means that the nature of multi-purpose agricultural co-operative has changed to agricultural and rural co-operatives for farmers and non-farmers in the transforming rural society, though the voting right is still confined to regular members. During this period, officers and employees decreased by 64.2% and 31.3% respec-

tively, while executive officers (board members and auditors) increased by 2.4 times. The marketing and supply businesses decreased respectively while credit business increased (See Table). As a result, the total business profit of multi-purpose agricultural co-ops remains with status quo.

Secondly, the vertical integration between prefectural and national level federations in each business area has continued, except for central unions. Specifically, all prefectural insurance federations were amalgamated with national federation Zenkyoren in 2000. In the supply and marketing business area, 34 prefectural economic federations were amalgamated with national federation Zen-noh while eight prefectural economic federations and five prefecture-wide co-ops remained independent. In the credit business area, 12 prefectural credit federations merged with the Norinchukin Bank while 32 prefectural federations and three prefecture-wide co-ops maintain independence.

The revised Agricultural Co-operative Act of 2015 abolished the provisions on central unions at prefectural and national levels despite the opposition of agricultural co-operative group. After October 2019, central unions at the prefectural level will be transformed to prefectural federations with the functions of management guidance, education and lobbying. The auditing function of national-level central union shall be performed by the auditing firms just same as conventional companies while its functions of representation, management guidance, education and lobbying shall be shifted to the general incorporated association that will be founded by agricultural co-operatives.

6. Conclusion

The IRU is a worldwide voluntary association of national co-operative organizations that come together based on the philosophy of Raiffeisen. Norinchukin Bank (Central Co-operative Bank for Agriculture, Forestry and Fisheries) and Ie-no-Hikari Association (publisher of agricultural co-op group) have continued the exchange of experiences as members of the IRU for many years. At

the time of the 200th anniversary of Raiffeisen's birth, these Japanese organizations expected active co-operation with IRU members on the basis of Raiffeisen principles and "the idea and practice of organising shared interests in co-operatives"

added in the list of the intangible cultural heritage of UNESCO through the submission from Germany in 2016.

Table: Statistics of multi-purpose agricultural co-ops in Japan

	1995(a)	2015(b)	(b)/(a): %
Number of multi-purpose agri. co-ops	2,457	686	27.9
Total membership	9,029,000	10,370,000	114.9
Regular membership	5,440,000	4,433,000	81.5
(of which women)	(707,000)	(937,000)	132.5
Associate membership	3,589,000	5,937,000	165.4
Officers	50,735	18,139	35.8
(of which executives)	(1,164)	(2,853)	245.1
(of which women)	(102)	(1,313)	1,287.3
Employees	297,632	204,516	68.7
(in charge of farm guidance)	(17,242)	(13,893)	80.6
Marketing: billion yen	5,905	4,534	76.8
(of which rice: %)	(33.4)	(17.5)	
(of which vegetable: %)	(21.6)	(30.2)	
(of which fruit: %)	(12.9)	(9.1)	
(of which livestock products: %)	(19.7)	(29.2)	
Supply: billion yen	4,968	2,608	52.5
(of which production materials: %)	(61.4)	(72.9)	
(of which consumer goods: %)	(38.6)	(27.1)	
Credit: billion yen			
Saving	67,482	95,289	141.2
Loans and discounts	18,978	22,323	117.6
Long-term insurance contracts: billion yen	373,000	274,000	73.5
Total business profit: billion yen	1,904	1,992	104.6

1) Multi-purpose agricultural co-ops in 4 prefectures merged to prefecture-wide agricultural co-ops.

2) The membership of special purpose agricultural co-ops in 2015 was 194,918 members (including 41,692 associate members) while members households amounted to 159,764 (including 39,738 associate members household). This means that 9% of farm households join special purpose agricultural co-ops.

3) Source: Statistics on Agricultural Cooperatives, MAFF.

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The SACCO Movement in Kenya up to 2017

George Ototo

Introduction: The co-operative movement in Africa

During the 1950s and 1960s, about 100 years since Rochdale, co-operatives were introduced in Africa as State projects. The governments viewed co-operatives as mass organizations and instruments for economic emancipation of the rural population. However, the market liberation of the 1990s saw the collapse of the State sponsored co-operatives in many developing countries because they could not compete with the private sector.

Recent studies show that co-operatives in many developing countries are experiencing a renaissance. For example, there were only 554 registered co-operative societies in Uganda in 1995, but recent estimates indicate more than 7,500. In many developing countries, savings and credit co-operatives (SACCOS), housing, consumer co-operatives and cottage industries are growing. There is a great potential for farmers' producer co-operatives to meet growing demand for supermarkets for fresh fruits, vegetables, and dairy products. Electricity in rural areas, water and sanitation for growing urban populations, and healthcare are all opportunity sectors for co-operative development.

The co-operative movement in Kenya

The co-operative movement has been an effective engine for development in Kenya. It cuts across almost all sectors of the Kenyan economy both formal and informal. It is estimated that 63 percent of Kenya's population participate directly or indirectly in co-operative based enterprises. It is also estimated that co-operatives contribute 46 percent of the total Gross Domestic Product (GDP), 35% of Gross National Savings and employs directly about 500,000 people.

According to the Economic Survey 2017, as at the end of 2016, there were 18,573 registered co-operatives, spread across all the sectors in Kenya.

The financial co-operatives (SACCOS) under SASRA regulations (177 deposit taking co-opera-

tives) had approximately 3.1 million active members, who had mobilized over Ksh.272 billion (\$ 2.6 billion) in savings and carried loans of Ksh.288 billion (\$ 2.79 billion)

PARAMETER	2016	2015
Number of DT-SACCOS	176	177
Active membership	3,143,485	2,675,050
Dormant membership	489,112	466,911
Total Membership	3,632,597	3,145,565

Table 1: Membership (Deposit Taking SACCO's) as at June 2017

The role of early co-operatives in Kenya

The Kenya Farmers Association (KFA) was formed informally in 1923 as a successor to the Lumbwa Co-operative society which had been recognized in 1908 under no law. Its objectives were to supply agricultural inputs such as fertilizers, chemicals and seeds to European settler farmers and to arrange for sale of their produce, taking advantage of economies of scale.

The KFA was followed by the Kenya Co-operative Creameries (KCC) which was incorporated in 1931 under the co-operative Societies Ordinance to deal with the production and sale of dairy products. KCC, like KFA, was founded informally in 1925 by the settler farmers. KCC was later registered under the Companies Act and retained this dual registration even after Kenya's independence.

The third farmers' co-operative was the Kenya Planters Co-operative Union (KPCU), registered in 1932, initially as the Thika Planters' Co-operative Union. In 1933, it merged with Ruiru Co-operative Union and changed its name to Kenya Planters' Co-operative Union (KPCU). Several small coffee mills had operated in Nairobi, but amalgamated in 1938 into East Africa Coffee Curing Company Limited.

The last main pre-independence co-operative was the Horticulture Co-operative Union Limited (HCU), which was registered in the 1950s as a private company, but was later registered as a Co-operative by the European large scale fruits and vegetable farmers. In 1957, it started exporting fresh

fruits and vegetables to England, and for a number of years, HCU was the largest exporter of horticultural products. Large scale African farmers and co-operative societies started becoming members of the union in the 1960's.

Formation of national co-operative institutions

In 1964, Kenya National Federation of Co-operatives (KNFC) was formed as the apex co-operative organization with responsibility to coordinate the development of co-operative societies. It was envisaged that KNFC would draw its membership from primary, secondary and countrywide co-operatives. Its sources of income would be affiliation fees, Government grants, donor support and technical assistance from stronger co-operative movements from especially Nordic countries and the United States of America (USA). It was expected that KNFC would become the principal promoter and protector of co-operative interests and also assume the position of advisor to Government on co-operative development issues, effectively taking over the role that the state was playing.

A major achievement by KNFC in early days was the role it played in facilitating the establishment of the key national co-operative organizations. These included the Kenya Union of Savings and Credit Co-operative Organization (KUSCCO), the Co-operative Bank of Kenya, the Co-operative Insurance Company of Kenya (CIC), the National Co-operative Housing Union (NACHU) and the Co-operative College of Kenya, now the Co-operative University of Kenya (CUK).

Formation of Savings and Credit Co-operative Societies (SACCOs)

The first SACCO in Kenya was formed in 1964 in Mariira, Murang'a County by the Catholic church through Fr. Joachim Getonga. In 1967, a committee was formed to promote the development of Savings and Credit Co-operatives in the country, leading to the formation of two chapters: one in

Nairobi, the other in Mombasa. During this period, liquidity for newly formed SACCOs was prevalent challenge because of the unwillingness of members to regularly contribute shares or to repay loans advanced to them. In 1969 the Government directed that Savings and Credit Societies should only be formed by employees whose employers accepted to provide payroll deduction facilitation. This meant that members would have their monthly share contributions and loan repayments deducted from their salaries and paid directly to their SACCOs. It was this "check-off system" that became a critical spring board for the rapid development of Savings and Credit Co-operatives in the country. In 1972 a national forum of SACCOs was held in Nairobi to discuss and consider the formation of a National Apex organization to serve the needs of these societies. This led to the formation of the Kenya Union of Savings and Credit Co-operatives (KUSCCO) Ltd.

In 2010 the Ministry of Co-operative Development and Marketing indicated that out of the country's 12,000 co-operatives 6,200 were SACCOs. The co-operative register however has hundreds of dormant societies from all sectors, including SACCOs. The SACCOs are the fastest growing sub sector of the co-operative movement. They provide members with favorable savings and credit facilities and have succeeded in integrating them into the mainstream financial market. Currently, SACCOs are increasingly relied upon by millions of poor Kenyans seeking business financing and short term loans. Further, Kenyans desiring to buy assets like land and modern houses have found it easier to raise the requisite funds from their SACCOs.

The Role of KUSCCO in Kenya

As intimated above, the Kenya Union of Savings and Credit Co-operatives (KUSCCO) Ltd. was registered in 1973 following the recommendation of the national forum of SACCOs that was held in Nairobi in 1972. At inception, KUSCCO was mandated to 'promote the growth and development of SACCOs'. To implement this onerous mandate, the founders in their foresight envisaged

that pursuit of the following objectives, which have stood to date, would be key in achieving this mandate:

- *to provide advocacy, lobby and advisory services that protect members' interests,*
- *to act as the principal local and international representative and mouth-piece of all SACCOs,*
- *to promote the organization and development of viable SACCOs,*
- *to disseminate information concerning SACCOs and co-ordinate their operating methods and practices and foster education and training of members, officials and employees, and*
- *to promote among SACCOs and their officials, employees and members a common code of ethics based on the Co-operative principles.*

At inception and during the formative stages, the Union was faced with tremendous challenges, especially lack of operational funds and understaffing which severely limited operational capacity to execute the mandate.

However, the Union was able to surmount these challenges and in the process set up an elaborate system with country-wide outreach, serving over 3500 affiliate SACCOs and built a Ksh. 10 billion (\$ 96.9 million) plus asset base backed by a 300 plus workforce.

These achievements can be attributed to a number of factors. Unique ability in articulating issues at the core of cooperatives, combined with practical solutions in areas where the SACCOs face daily struggles – liquidity, risk management, education and training including consultancy on technical operational issues as well as information management systems. The Union also has a fully owned subsidiary Insurance company, the KUSCCO Mutual Assurance.

Concluding remarks: Success factors and challenges of co-operatives

The success factors and challenges of cooperatives are widely shared across the African continent. The success of co-operatives is believed to be twofold:

1. The simple fact that despite all their shortcomings and weaknesses, co-operatives in Africa do provide essential services to a large portion of the population, primarily the self-employed in rural areas and the urban informal economy. Such services include market access, agricultural supply, marketing and exports, transport, storage, appropriate financial intermediation, joint production, mutual risk coverage, affordable housing, and many others. In addition, co-operatives play, beyond their economic function, a role in extending social protection and in facilitating popular participation. They support social cohesion and strengthen civil society. Genuine co-operatives play a triple, social, economic and societal role and therefore simultaneously create opportunities, enhance protection and provide empowerment – the key elements of any poverty reduction strategy. And finally, real co-operatives achieve all this at no cost to the state.
2. The extraordinary resilience of co-operatives and co-operative movements, despite frequent changes in Government policy and legislation, shifting donor philosophies and preferences, massive external interference and inappropriate interventions, and in spite of severe turmoil created by war, civil strife, natural disasters and dictatorial regimes. There is evidence that co-operatives do exist in all 54 African countries, and that over a considerable period of time, the co-operative density has remained stable in Africa, at about 7% of the population. This would not have happened if co-operatives had not played a positive role in Africa's development.

The challenges contemporary co-operatives and social economy organizations face can be grouped under five headings:

1. **The role of the State:** as a result of structural adjustment, and as a consequence of democratic reforms, the role of the state in relation to co-operative development was reduced to the bare minimum: registration and supervi-

sion of the application of the law. No financial aid, no technical support, no special protection. This has led to a situation where unscrupulous individuals usurped the leadership of co-operatives and misused them for their personal interests. This has motivated some to argue that the liberalization of the 1990s went too far, and that some degree of state control over co-operatives should be reinstated. This debate is far from over.

In this context, cooperation between cooperatives may be mentioned. Co-operatives build strength, influence bargaining power through vertical structures, such as federations, unions and associations, and horizontal networks that facilitate co-operation between co-operatives of different types. On the African continent the shape of those vertical structures was, until the mid-1990s, largely determined by the State, and often prescribed in co-operative laws. Today, every single African country has its own specific vertical co-operative structure composed of a variety of national, sectoral, regional and local organizations.

2. **The optimal size:** co-operatives must be large enough in operation to reach the economic break-even point, and small enough to allow individual members to meaningfully participate. The optimal size of a co-operative is therefore dictated by economic factors (financial cooperatives may reach the break-even point earlier than, for instance, marketing cooperatives) and social and societal factors; the latter also explain why co-operatives are more successful in certain African communities than in others. Appropriate and democratically controlled vertical structures may solve the dilemma of the “optimal size”.
3. **Urbanization and Informality:** Africa has experienced the highest urban growth during the last two decades at 3.5% per year and this rate of growth is expected to hold up to 2050. In 2010 the share of the African urban population was about 36% and is projected to increase to 50% and 60% by 2030 and 2050 respectively. The

majority of those living in urban centers work in the informal economy, and it has become absolutely essential to organize those informal workers. However, Africa’s co-operative movements have remained essentially rural (with the exception of credit unions), and little has been done to develop appropriate models of cooperation in the informal economy. This constitutes the challenge for co-operative promoters in the 21st century.

4. **Fragility and Crisis Response:** Many African countries, or regions within countries, are considered “fragile”. They may recover from conflict, are affected by natural calamities or climate change, or suffer from poor governance, nepotism and corruption. It is in those circumstances, where the administration ceases to function, where public service delivery has come to a standstill, and where the rule of law no longer exists, that citizens must organize themselves to ensure access to a minimum of essential services, as well as voice, representation and self-governance. There are numerous examples of such spontaneous self-organization in, for example, refugee camps or areas devastated by conflict or disaster, but Africa has not systematically harnessed the power of self-organization to overcome fragility and return to the path of development. To do just that could be a worthwhile challenge for Africa’s co-operative movement and its international partners.
5. **New forms and manifestations of cooperation:** Despite the diversification that began in the 1990s the formal co-operative movement in Africa is still largely confined to a few sectors or intervention areas: agricultural marketing and supply, savings and credit, housing, fisheries, handicrafts and consumer. Other types, such as labor contracting co-operatives which are widespread in India, or shared service co-operatives formed by businesses rather than individuals (well known in Europe and the US), are almost unknown on the continent. Public utility co-operatives

that organize the supply of electricity, water, sewage, telephone connections and Internet access at the local level, are popular in many parts of the world but hardly present anywhere in Africa. Microfinance co-operatives are common in Africa, but micro-insurance co-operatives are not – they could be of great benefit to rural producers. Finally, there might be potential for the promotion of health care and social service co-operatives to formalize and institutionalize the continent's age-old tradition of solidarity and mutuality.

Cooperative banks in a digitized world

Guy Hoffmann

Digitization has already changed our way of life and will continue to do so. The way we work, the way we shop, the way we manage our personal finances are some of the domains where changes are the most obvious to most of us. Digitization transforms existing business models in all industries and the banking sector will definitely not be spared. A report published in 2015 by Goldman Sachs for instance went as far as to label crowd-funding the “potentially most disruptive of all the new models of finance”. FinTechs are seen by many as a deadly threat to long-established banks. New specialised actors emerge every day and, without having to support and maintain a traditional banking infrastructure or legacy IT system, offer innovative financial services like mobile peer-to-peer payments or robo-advisory services. Game changers like PSD2 aim to foster competition between banks and open up the market for new entrants. These third party providers will try hard to interpose themselves between clients and their banks and possibly squeeze the latter out of business. Meanwhile, banks are downsizing their branch networks, reacting to changing consumer behaviour and an increasing pressure on results, as they witness, on one side, a dramatic increase of their costs which is mainly induced by a never ending avalanche of new banking regulations and decreasing revenues as a consequence of historically low interest rates.

So, was Bill Gates right when he stated: “Banking is necessary, banks are not.”? What about cooperative banks claiming that proximity to their customers and members is one of their main assets? Do customers still care for long-lasting and trust-based relationships when financial services can be found anywhere on the web without any geographical limitation? Is caring for the welfare of all stakeholders a viable business model in a digitized world?

Introducing Raiffeisen Luxembourg: a local bank acting in a somewhat particular market

The first Raiffeisen credit cooperatives were founded in Luxembourg in 1925. In early 1926, the exist-

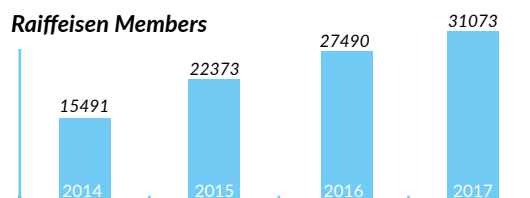
ing banks set up the ‘Centrale des Caisses Raiffeisen luxembourgeoises’, renamed in ‘Banque Raiffeisen’ in 2001.

The Raiffeisen model developed very quickly and by 1970, the network had 138 outlets across the country. New technologies led to the merger of many branches of the network which is now made up of 13 “Caisses”, each with several branches, plus 12 branches that report directly to Banque Raiffeisen.

Today, with a network of some 40 agencies, Raiffeisen serves retail, private banking and corporate clients. We assist private clients with their everyday banking transactions, finance their projects and manage their savings and investments. We also serve businesses and freelancers through a team of experienced specialists offering notably a bespoke service and advice in project financing. Finally, the Bank’s asset management specialists provide a professional service to savers and investors.

Since 1925 Raiffeisen has always been committed to solely working in the interests of its clients and members. We seek to forge long-lasting relationships that are built on trust and rewarding for both our customers and the bank. Year after year, surveys consistently have shown that Raiffeisen clients are those that are the most satisfied with their banking relations.

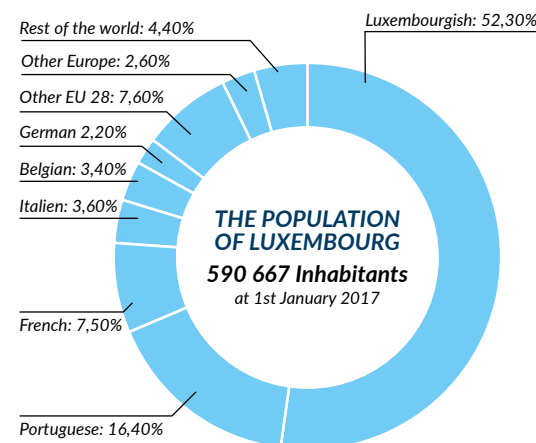
It is especially for our client-members that the “OPERA Advantages” program has been designed and we are more than pleased to have more than 30,000 members today compared to 10,000 members at the start of the program. Thanks to this program, Raiffeisen members have benefited from advantages of about one million Euros in 2017. We are proud to say that at Raiffeisen the client-members benefit directly from the result realised by their bank.



In terms of market, Raiffeisen Luxembourg is number three or four depending on which metric is used. Among the larger banks in Luxembourg, Raiffeisen is the only one that neither is state-owned nor belongs to a large international group, meaning that we are totally independent to take all our decisions and design our own strategies.

Raiffeisen Luxembourg focuses exclusively on the local market. Luxembourg is not only a renowned Financial Centre, but there are also a number of prestigious international corporates that have established their European headquarters in the country. The reasons are manifold: a central location providing easy access to a single market of 500 million inhabitants, a stable political, social and economic environment, a modern legal and regulatory framework and a qualified, multilingual workforce. Cross-border commuters represent more than 40% of domestic employment and are thus extremely important to Luxembourg's economy and labour market in general.

Luxembourg is proud of its multinational and multilingual society. About half of the roughly 600.000 inhabitants are foreign nationals with different cultural backgrounds, part of them living in Luxembourg for a few years only while others are coming to stay. This makes without doubt Luxembourg very unique but also difficult and costly for local businesses to design their strategies, offers and services.



Source : Statec

Foreigners coming to Luxembourg find also in their country of adoption most of the brands they have been familiar with at home while local producers, brands and banks struggle to become an alternative for this part of the population. E-commerce is still adding another layer of competition, especially since most of the new arrivals are very well educated millennials used to and looking for a high quality digital service offer and experience.

Digitization, a one-way path?

Digitization is just at its very beginning, but it seems to go hand in hand with some paradoxes. Studies show that Digital natives still seem to be sensitive to local brands and willing to choose local points of sales, provided they offer at least the same level of convenience than online platforms. While continuing to chase the products, services or offers that satisfy best their own interests, more and more millennials begin to care about how firms and especially banks manage their business, stakeholders and environment.

That is exactly where cooperative values could make the difference. However, studies show that a lot of people are not aware of these values and even have no clue about the characteristics that differentiate cooperative banks from other business models.

It proves that cooperative banks have to continuously sensitize their ecosystem to their essential messages: focus on members' interests, i.e. member value instead of shareholder value, responsible banking, care for the welfare of all stakeholders.

However, cooperative values alone will not be sufficient to make the difference.

Go Phygital

There is no doubt that a state of the art digital customer experience is a must for all banks, be they financial institutions driven by shareholder value or cooperative banks driven by member value.

But we do not think that all customers will be totally satisfied by an online-only banking ser-

vice. Part of them will continue to privilege using the branch and even clients who are managing their finances essentially online find themselves from time to time in a situation where they need their branch for a basic transaction.

We are convinced that the need for a real person to discuss with will not disappear and that a lot of customers will continue to seek personal advice, especially for more involving projects, such as investments or financing their new home.

As a cooperative bank which aims to work solely in the interest of its clients, we should grant access to our offer through all channels, be they digital or physical. We believe that it is up to our members to decide to what extent they want to use available technologies and it is up to them to choose the moment they want to switch from one channel to another. That is why, besides investing in digitization, we are pursuing investments in our local branches and we are even offering our members to visit them at home outside business hours. This is not about sticking to the past as long as possible. The end of the bank branch has been announced many times. Nevertheless we see today that branches are more than ever alive and kicking. Of course their role has changed. The traditional teller activity has been replaced by ever more sophisticated counselling, integrating new digital features in order to perfectly serve the interests of the customer. Even Amazon, the e-commerce pioneer and up to now the purest embodiment of an online-only shop seems to foresee a phygital future: Its first real bricks outlet just opened in Seattle.

Being a local co-operative bank, whose first ambition is not to maximize its revenues, remains one of our biggest strengths in that context. While others have to reduce their service level in order to generate a maximum profitability asked for by the owners, our business model enables us to offer premium quality services through all channels, which is the best way to ensure high levels of long-lasting loyalty.

Cultivate member satisfaction

Studies show that in Luxembourg Raiffeisen customers are those who are the most satisfied with their bank. We think we owe this recognition not only to the product offer and service quality, but mainly to one simple but essential fact: We always try to act in the best interest of our members. Even if we need to develop our business, as a responsible bank we make a point of not selling products our members do not need or understand, or which present a risk that is difficult to appreciate correctly. Our remuneration scheme is not sales performance driven and does definitely not foster irresponsible and pushy selling. This might sound obvious, but just have a look around you and you will find a lot of quite opposite practices.

One of the main purposes of the first cooperative banks was to provide financial services to those who for different reasons did not have access to such resources and to allow them to build up an existence and provide for their families. By working together they could improve their living conditions. Things have changed since then: Today, virtually everyone has access to at least basic financial services and competition among banks is fiercer than ever. What is then a cooperative bank's USP (unique selling point) in a digitized world? We do not believe it is the best technology or the fanciest app, even if cooperative banks have to keep up with their present and future competitors in terms of user experience, available functionalities and service quality. No more than caring for the welfare of their ecosystem, which is a highly respectable goal, but does not make cooperative banks unique. We are convinced that the main asset of cooperative banks is just as it was 200 years ago: They act exclusively in the best interests of their members and clients. This goes far beyond being client-centric. The tobacco industry is for sure very client-centric too, but are they finally acting in their clients' best interest? By committing to and proving day after day their unconditional respect of this guiding principle, cooperative banks can create an amount of emotional trust that algorithms, robots or block chain technology will have problems to compete with.

The boom of cooperatives in the Netherlands

Joke Mooij

1. Introduction

In the Netherlands, the agricultural sector and Rabobank are examples per excellence of the success and longevity of the cooperative model. The origins of Rabobank can be traced back to the Raiffeisen idea. At the time Friedrich Wilhelm Raiffeisen (1818-1888) published his book *Die Darlehenskas sen-Vereine* (1866), the Dutch rural economy was still booming. For decades, the agricultural sector had been the dominant part of the Dutch economy, but this was going to change.

At the eve of the international agricultural crisis (around 1880-1900), the country was in a transition process as it shifted from a rural to an urban based industrial economy. This included the adoption of new technologies and created a shift in the nature of social and working conditions. The downsides of this transition process were widespread pauperism, poor urban housing, child labour and miserable working conditions in factories in general. Leading economists and liberal politicians considered the cooperative association along the lines of foreign examples to be a solution for the contemporary consumer and housing problems of a new generation of townspeople. As such, the cooperative idea had to be educated and promoted.

It was during this period of change that the cooperative movement took shape. Subsequently, the cooperative model became the dominant organisational form in the agricultural and its related sectors, which it still is today. In other parts of society, the cooperatives dwindled in the second

part of the twentieth century. The declining trend of cooperatives seemed to have stopped in the 1990s. Since the 2000s, a fast growing number of new cooperatives indicates a rediscovery of the cooperative model as a means to tackle some of the economic, social and climate issues of our times.

Taking a long term perspective, one can clearly discern cooperative cycles in the Netherlands. After the first full cycle, which roughly spanned the period 1855-1990, had passed, new cooperatives of our days belong to the first stage of a new cycle. This article is structured accordingly. The next section starts however with a brief history of Rabobank, as being one of the founding members of the International Raiffeisen Union (IRU).

2. A short history of Rabobank

In the Netherlands, the Raiffeisen idea continues to live on in today's Rabobank. Its history starts in 1895 when the first credit cooperative was established in Naaldwijk, a small town in today's well known region of greenhouse horticulture 'Westland'. Scattered over the Dutch countryside, the Raiffeisen idea materialized in cooperative agricultural banks in these years. In 1898 the Coöperatieve Centrale Raiffeisen-Bank (CCRB) in Utrecht and the Coöperatieve Centrale Boerenleenbank (CCB) in Eindhoven were created to act as a central bank for their founding member banks. Moreover, both central organisations promoted the Raiffeisen idea from then on.

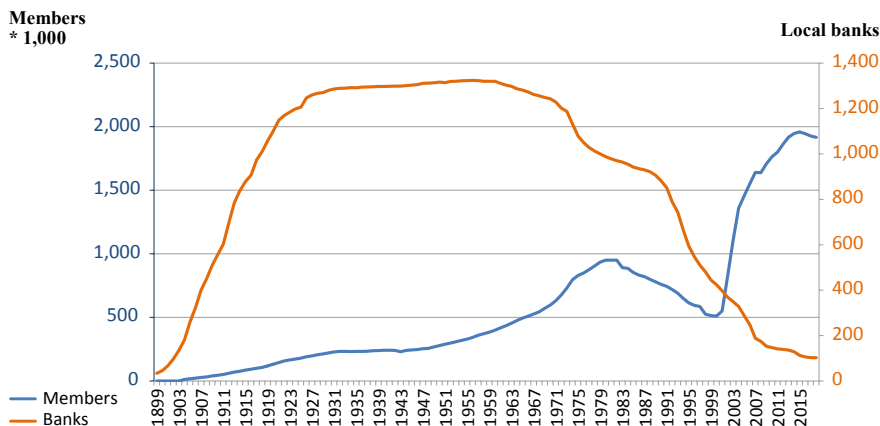


Figure 1: Rabobanks and their members, 1898-2018

Source: CCB, CCRB and Rabobank, Annual reports.
Note: 1898-1972, members of CCRB plus CCB. 1972-2018 part of Rabobank

With its cooperative structure, the Raiffeisen-system revolutionized the institutional structure of the Dutch banking sector. Over a thousand *boerenleenbanken* (farmers' banks) were created between 1900 and 1920. As figure 1 illustrates, in 1920 there were 1,148 local banks having nearly 144,500 members. This wide regional coverage linked with access to central management and support, without creating one single integrated organisation, is regarded as the most significant innovation that agricultural credit brought to the Dutch financial system (Sluyterman, et al., 1998).

These affiliated cooperative banks acquired a solid position, which brought them safely through the banking crisis of the early 1920s and of the 1930s. Despite all economic problems, the agricultural cooperative banking sector was able to hold its position, whereas the commercial banking sector faced severe problems. By 1939, there were 1,323 Dutch local cooperative agricultural banks. Together, they provided the financial services to the agricultural sector.

Since the 1950s the cooperative organization has been adapted several times as a result of, for instance, changes in member needs, the economic structure and the regulatory framework of the Dutch banking sector. The cooperative banks also welcomed non-agricultural members – SME entrepreneurs and private households – as they gradually expanded to urban markets, where they soon attracted a vast volume of urban savings. The huge increase of the number of savings accounts from 1.7 million in 1957 to 4 million in 1967 illustrates this development. In 1967 the cooperative agricultural credit banks had 40 per cent of the total domestic savings market. By then the banks also entered the mortgage market, which emerged due to government policies to stimulate own home-ownership. Renting had been customary up to then. Consequently, the agricultural depositors and creditors numerically no longer held the same position as they did in the past.

The agricultural sector became relatively less important in terms of GDP as a result of structural changes in the Dutch economy in the late 1950s and 1960s. This period was characterized by scale

expansion, mergers and restructuring in industry, the financial sector and the agricultural sector alike. As competition in the Dutch financial sector increased, the traditional institutional segregation between savings banks, mortgage banks, cooperative agricultural banks and commercial banks blurred as they all entered the retail market of mass consumer payments. One of the side effects was an increasing competition between the member banks of the two aforementioned organisations of cooperative agricultural banks, CCRB and CCB. A merger was seen as the most obvious thing to end the proliferation of offices and to prevent further inefficiencies from the intensifying competition.

In 1972 the merger of CCRB and CCB into Rabobank created the largest bank in the Netherlands. The newly combined organisation held the 48th position in *American Banker's* worldwide listing. In subsequent years, many member banks merged as well. This process resulted in a numeral reduction of Rabobanks. Towards the end of the past century the impact of information technology, changing customer preferences for distributions channels as well as business efficiency considerations within a changing regulatory framework led to a scaling up and so to a further reduction of local banks.

The steady domestic growth and the international expansion of banking activities since the 1980s, as well as the mergers of local Rabobanks and the rise of large domestic competitors prompted a fundamental self-assessment in the mid-1990s on the cooperative banking model. In 1998, after an intense debate, it was decided to retain the cooperative identity. Another outcome of the debate was the abolition of member liability. From then on all customers could become a member in the Netherlands. The intensifying use of ICT in all its banking services led to a further reduction of local banks and offices over the following years. In 2014 a mixture of internal issues and external reasons triggered a revision of the governance structure. The outcome was a new governance structure with the aim to strengthen both the cooperative and bank. In December 2015 a historical decision for a merger to one Rabobank

was made unanimously by all members' representative bodies in the Netherlands.

As of the first of January 2016 all 106 local Rabobanks and the central organization were legally merged into Coöperatieve Rabobank U.A. In the Netherlands, Rabobank continues to operate as a decentralized organization based on cooperative principles. Despite all these changes Rabobank remained faithful to most Raiffeisen's principles. Local embeddedness, the bottom up governance structure and retained earnings as a primary source of capitalisation are clear examples in point.

3. The first cooperative cycle (1855-1990)

Much has been published on cooperatives in the past. Especially credit cooperatives based on the ideas of Friedrich Wilhelm Raiffeisen or Hermann Schulze-Delitzsch have been widely researched by economists, sociologists and historians. Lately, the cooperative model is gaining interest again after a time of being underexposed. Looking from this perspective it seems that we are now in the first stage of another cooperative cycle in the Netherlands.

The first full cooperative circle started around 1855 and ended around 1990. This entire cycle can be broken down into four distinct periods or stages. During the first phase (1855-1890), scattered local initiatives became a cooperative movement throughout the country. By 1890 the Raiffeisen-system was recommended as a means to improve the poor agricultural credit facilities in the countryside. In the second period, the *Gründerzeit* (1890-1920), the cooperative model became an accepted business model and numerous cooperatives were founded accordingly, in particular agricultural and finance cooperatives. The *Gründerzeit* was followed by a period of consolidation and concentration among Dutch agricultural cooperatives (1920-1970) against the background of the creation of the European Union and the Common Agricultural Policy (CAP). The matured post-Second World War welfare state and the declining general interest in the cooperative

model characterise the fourth phase, i.e. a period of demise (1970-1990). Since the 1990s, we witness a renewed interest in the cooperative model that materializes in various local initiatives, similar to the ones in the period 1855-1890. Like then, this resurgence takes place in a period of transition, this time from an industrialised nation towards a digitalized globalised economy.

Phase I: Cooperative movement (1855-1890)

In the Netherlands, the 'organized' cooperative movement took shape at a time of profound changes in the country's economic and social structure during the last quarter of the 19th century. Local initiatives to form cooperative associations can be traced back to the mid-1850s. Literature shows that the first generation of Dutch co-operators was inspired by foreign examples of social action. The growing interest in the cooperative also resulted in the first Dutch PhD thesis on cooperatives that was completed in 1866. At the time, concepts of collective action and organized self-help already existed as is clearly demonstrated by much older Dutch examples of commons, guilds and mutual insurances. (De Moor, 2013). Mutually organised insurances (e.g. marine, fire and burial) have long historical records. In the 19th century however mutual insurances organisations were booming. After the dissolution of the guilds in 1818 – as part of the building of a new nation and to some extent of a liberalisation process of Dutch economy –, their social provisions i.e. covering risks related to loss of sufficient income etc., became mutually organised by the trade unions. Mutual insurance became a wide-spread institution of sharing risks relating to work, health, accidents, unemployment. In farming, mutual live-stock insurance emerged to share the financial risks of infectious veterinary diseases.

The new cooperative associations were constituted on the 1855 Act on Freedom of Association and Assembly, stressing their social goals rather than economic or business objectives. Like elsewhere in Europe, cooperatives of consumers and of workers were based on this act. During this period the Dutch word *coöperatie* was introduced

next to older words like *vereenigingen* (associations) and *onderlinge waarborgfondsen* (mutual associations).

By the 1870s, Dutch rural areas – like many rural regions in Europe – were confronted with the first signs of an agricultural depression. Although the impact varied among the distinct farming activities, the agriculture sector as a whole entered an era of different market circumstances and demands. The latter was also a result of changing demographics. Since the start of the century the population increased from around 2.1 million inhabitants to 3.0 million (1850) and 5.1 million in 1900. Of the Dutch labour force some 600,000 people or 31 percent was employed in the agricultural sector.

As for the farmers, business-economic factors forced them towards modernization, specialization, more efficiency and land-saving technologies. Literature identifies the lack of information, knowledge and means needed to adapt to the new circumstances, taking into account regional differences and diversity within the agricultural sector. Scattered over the country new, formal (i.e. registered under law) cooperatives were established as a means to improve market conditions and subsequently to pursue economic goals of their members. A milestone in Dutch cooperative history was the Cooperative Act of 1876, as it underlined the potential, as well as the growing economic importance of the cooperative business.

In 1886 a State Commission on Agriculture was installed and commissioned to investigate the dreary rural situation and to come up with recommendations to support and stimulate the agricultural sector. One of its recommendations was to structurally improve agricultural credit facilities in the rural areas by setting up credit cooperatives according to the German Raiffeisen-system. From the mid-1890s onwards the Raiffeisen idea then genuinely took root due to various local initiatives, some of which were supported by the agricultural societies while others took their inspiration from the Papal Encyclical Letter *Rerum Novarum* (1891). The founding of cooperatives and especially credit cooperatives was one of the key objectives of the *Nederlandsche Boerenbond* (NBB) and the regional farmers' unions (*boerenbonden*),

which were constituted from 1896 onwards.

One of the regional unions, the *Noordbrabantse Christelijke Boerenbond* and its co-founder, Father Gerlacus van den Elsen (1853-1925) in particular, advocated the Raiffeisen idea based on Christian principles. The dedicated and energetic father was the driving force behind over eighty credit cooperatives or *boerenleenbanken* as a means to improve the living standards of the small farming communities in the province of Noord-Brabant.

Phase II: The boom of cooperatives (1890-1920)

The early decades of the twentieth century can be characterised as *Gründerzeit* of the agricultural processing, sales (auctions), banking and retail cooperatives. The introduction of steam power in the agricultural sector gave birth to steam dairies from the 1880 onwards. The industrialization of agricultural produce went on as farmers started their (steam powered) cooperative milk, butter and cheese manufacturing. Often these initiatives could be materialized with loans provided from the local cooperative agricultural banks. By 1900 there were approximately 2,361 agricultural cooperatives nationwide. Within a short period of time, many parts of the agricultural chain were cooperatively organized.

The same applies for the (greenhouse) horticultural sector. Between 1887 and 1906 the number of cooperative auctions for greenhouse produce increased to a total of 63 having a turnover of more than 6.5 million guilders. Auctions became the dominant sales organisations for vegetables, fruit, flowers and potted plants. A substantial part of the auctioned vegetables and fruits were exported to neighbouring countries. In 1934 an auction act was one of the government measures to support Dutch farmers and horticulturists to survive the Great Depression. Hence, growers of agricultural produce were legally bound (until 1965) to sell their produce through an auction. This contributed to the increase of the number of auctions to 162 in 1945 (Bijman & Hendrikse 2003).

The rise of the rural cooperative banking model had also paved the way for urban credit coopera-

tives for small businesses and retailers at the beginning of the twentieth century. These urban cooperative SME banks were not modelled according to the Raiffeisen principle. History shows that they were never as successful as their rural counterparts, though the initial outlook was promising. The intense competition between these SME banks in combination with their weak capital structures and their ineffective internal organization turned out to be a threat to the viability of the biggest central organization. Provisions had to be made by the government and the Dutch central bank. Nevertheless, many of the groups of SME banks did not survive the 1920s banking crisis.

This was also the *Gründerzeit* of sectoral partnerships and umbrella organisations in the cooperative sector. Each one of them was formed in line with the ongoing nationwide pillarization (*verzuiling*) or segregation of society along religious or socio-economic background. The result was a rather complex cooperative sector. Though most cooperatives were member of central cooperatives or units to strengthen their market position within the various pillars, there were numerous independent local cooperatives. Adding to this complexity was the fact, that the secondary organisations could have been given different legal forms (cooperatives, limited liability companies, etc.).

Phase III: Consolidation and concentration (1920-1970)

Meanwhile the agricultural sector developed into a highly productive sector with impressive export figures. The Great Depression of the 1930s however turned the tide and the following years led to great distress for cooperatives, which then were considered as an undesirable phenomenon by some political groups. In 1934, in response to the rising anti-cooperative atmosphere, eight cooperative umbrella organisations founded the Dutch Council for Cooperatives or NCR (*Nationale Coöperatieve Raad voor de Land- en Tuinbouw*) to defend and promote the cooperative idea and to look after the interests of cooperatives (NCR, 1984).

In addition, NCR commissioned the Dutch Central Bureau of Statistics (CBS) to publish a

statistical overview of the cooperative sector to underline the economic importance of agricultural cooperatives. The statistical overview of CBS reported more than 3,300 cooperatives registered in the Commercial Register (*Handelsregister*) in 1938. But historical records show that their actual number must have been substantially higher. Not included in this register for example are 492 local *boerenleenbanken* (according the 1855 Act), nor the 1900 aforementioned *veefondsen* and approximately 250 mutual fire insurance associations and mutual fire re-insurance companies.

By 1948 the total number of registered cooperatives rose to 5000, or a 15 percent increase. It was one of the side-effects of the governmental focus on restoring domestic food supply at a time of shortage on almost everything during the first years after the Second World War. In the 1950s the cooperative model was also promoted for the fishing industry, although this industry had been familiar with this particular model since at least the early 1900s.

Cooperatives remained the dominant organisational form in the agricultural sector, though their number decreased as a result of up-scaling and concentration. Scanty statistical data provide the trends in the period 1938-1983. From the 1950 onwards their number dropped due to sectorial partnerships and concentration. This development can be illustrated by the decrease of the number of agricultural auctions from 162 in 1945 to 88 in 1970. The same trend can be observed in the banking sector. In the year of the merger of the two central organisations, due to local mergers, the number of affiliated banks fell from 1,324 in 1955 to 1,187 in 1972 (Figure 1). During the same period however, the number of bank members more than doubled to 731,000. A similar trend could be observed elsewhere, however not for the producer cooperatives in the agricultural sector, services excluded (see Table 1).

The ongoing numerically decrease of agricultural cooperatives did not imply a weakening of their economic importance. In the 1960s the Dutch corporate sector went through a phase of mergers and acquisitions resulting in concentration with-

Table 1: Number of agricultural cooperatives (C) and their members (M)

Source: NCR (1984)

Note: - no data available / 1983 estimated data

	1938		1949		1959		1972		1983	
	C	M	C	M	C	M	C	M	C	M
		*1000		*1000		*1000		*1000		*1000
<i>Credit</i>	1297	240	1322	280	1327	398	1202	731	964	910
<i>Purchase</i>	1372	164	1161	134	860	136	699	116	180	90
<i>Processing</i>	497	-	455	201.6	381	237.7	95	168	39	95.6
<i>Marketing</i>	222	-	229	>176.5	194	152.2	110	82.2	72	64.2
<i>Services</i>	271	-	391	>48.5	656	81.2	358	95.6	229	109
<i>Total number</i>	3659	-	3558	>840	3418	1005.1	2464	1192.8	1484	1268.8

in various industrial sectors. The same process more or less occurred in the agricultural sector.

After the forming of partnerships and small-scale mergers, the agricultural sector went through a process of reforming and restructuring. The reform process was closely related to Europe's farming policy and the establishment of the CAP in 1962. CAP was Europe's answer 'to the need for a decent standard of living' for farmers and agricultural workers and 'safe food supply' for all its citizens. The outcome was a modern and export-oriented agricultural sector, making the Netherlands to be the world's second largest exporter (in value) of agricultural products.

Phase IV: The demise of the cooperative idea (1970-1990)

The numerical demise of cooperatives in the traditional cooperative sectors like agriculture, banking and insurance more or less reflected the blurring of the cooperative idea in society at large. The post-war years of recovery and creation of the welfare state had an unintentionally negative outcome for the cooperative model, as the new social arrangements affected the public interest in its self-concepts, solidarity and social capital. State arrangements on social security (old age, disability, unemployment and loss of income) replaced to a large extent older voluntary mutual insurances and also filled other social arrangements, like care for disabled and elderly persons. During the post-war years the population increased rapidly. By 1960 the population had more than doubled since

1900. The expansion of the welfare state however came to an end in the aftermath of the oil crisis of 1973 and 1980. It was followed by a period of structural reform, which among others aimed at reducing public deficit and a more cost effective social security system. The rise of new ideological views culminated in regulatory reforms and an economic policy towards a more flexible labour market and a more market-oriented society. Though the Dutch on average were still members of nearly two cooperatives, the general interest in the cooperative model faded into the background as the shareholder value model became fashionable. In standard textbooks for instance the cooperative as an organisational form had almost completely disappeared, especially as far as the financial institutions (insurance and banking) are concerned. One of the implications was that the urban raised generation hardly had any knowledge and had become less familiar with cooperatives than past generations had been. These developments did not affect the economic footprint of the traditional cooperatives.

4. Start of a new cooperative cycle (1990-....)

In this new millennium, the cooperative as an organizational form has regained interest in an attempt to find new ways to meet with various contemporary challenges. During the first decade over 1,100 cooperatives were set up. Since then, their number has been climbing. Again, it is a

time of profound changes in the country's economic and social structures that started since the welfare retrenchment and the aforementioned restructuring of the Dutch welfare state in the late 1980s (Van Oorschot, 2006).

In 2016 nearly half of the total of 320 new cooperatives were constituted in the previous two years. Most cooperatives can be found in the services sector, nearly one thousand. In health care their number increased over the years to more than 350. More than 125 cooperatives were set up by family doctors in response to a changing health care system. Another more recent example concerns cooperatives set up by physical therapists. The lack of affordable and high quality child care daycentres resulted in child care cooperatives established and run by parents. Other care cooperatives are rooted in local initiatives to provide for home healthcare and non-medical care in a village or local community. In 2018 there are over 170 of these organisations. This trend can partially be explained by a new Healthcare Act.

As in the past, the new cooperatives can be grouped. Sometimes they were formed for idealistic reasons. But more often cooperatives are considered to be a form of modern self-help and as an alternative way to organise economic activities, like bread funds (*broodfondsen*) and credit unions. Since the start of the *broodfondsen* in 2006, their number increased to nearly 200 in 2018. These mutual arrangements are established by self-employed entrepreneurs as an affordable alternative form of insurances against the temporarily loss of income due to sickness or accidents. In the aftermath of the great financial crisis, the concept of credit unions revived in the erection of about 40 credit unions. Their aim is to provide credit to local SME entrepreneurs by local entrepreneurs. As they are gaining importance as an alternative source of credit to the SME-sector, a separate regulatory framework has been designed. The great financial crisis also hit the building sector in the Netherlands causing an imbalance on the domestic housing market between supply and demand. This reactivated the 19th century idea of housing coop-

eratives, which had vanished because of the post-World War II regulatory framework. Since 2015 the new Housing Act supports new initiatives by introducing the cooperative as an organisational form for home ownership as well as for tenement.

In a sense, the current cooperative movement was fuelled by the newly inaugurated King Willem-Alexander's speech to parliament in which he said that due to various developments 'the classical welfare state is slowly but surely evolving into a 'participatory society...'²¹

A modern incentive for starting a cooperative is the international debate on climate change, reduction of CO₂-emission and renewable energy. Over the years, institutional and social, as well as technical conditions improved for these cooperatives, but they had to cope with increased competition as new, professional producers entered the liberalized energy market. More recently, the required energy transition triggered the establishment of both consumer and production cooperatives of renewable energy (solar panels and green energy). Between 2005 and 2013 over 300 energy cooperatives were set up. Up to now, the total capacity of the energy cooperatives is modest, but this might change in light of the recently announced energy transition by the Dutch government.

In 2016 there were 7,969 cooperatives and mutual associations in the aforementioned Commercial Register. Some 32 percent of these cooperatives are business organisations. The top 100 Dutch cooperatives have a total annual turnover of more than 107 billion Euros and employ over 140,000 FTE. Together they have more than 30 million members. But, as history shows, business or economic activities are not the only reason for their existence, as there have always been a larger number of cooperatives which were formed for social reasons, like housing. The above number of cooperatives also includes cooperatives established by owners of residences in condominiums as a means to share the responsibility and care for the shared common areas of those multi-united dwellings. In the past fiscal arrangements were also incentives to set up a cooperative.

21 Troonrede 2013 17-09-2013. <https://www.rijksoverheid.nl/documenten/toespraken/2013/09/17/troonrede-2013>; 'King's speech to parliament heralds end of Dutch welfare state'.

From these statistics it may be concluded that the number of 'economic' cooperatives has been more or less stable over the past decades, despite the wave of concentration among the agricultural cooperatives, the strong reduction of the number of local Rabobanks and the disappearance of some consumer cooperatives over the time span 1950-2000. But anno 2018 the cooperative idea seems to be very much alive again.

5. Summary

Over the past 200 years the cooperative model boomed for many decades due to the work of men like Raiffeisen and those who were inspired by his views. In the Netherlands the cooperative model fit well into a tradition of mutual associations and other older forms of (in)formal cooperation. Milestones in the history of the modern cooperative were the Acts of 1855 and 1876, as they introduced the cooperative as an organisational concept for social, respectively economic activities. The cooperative idea flourished during a time of transformation from a rural towards an industrialised economy. This was the beginning of a full cooperative cycle that lasted from around 1855 till 1990. Since then we are in a new cooperative cycle. Today, we find ourselves in a period of a fundamental transition towards a highly digitalized global economy. In a couple of decades, we shall be able to tell whether we were in the first phase of another cooperative cycle or on the brink of another *Gründerzeit* in 2018.

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Eyes on rural communities in Paraguay:

Rural development through cooperativism and associativity in general

José Manuel Bautista, Simon Heinken, Eduard Klassen

In an associative context, indigenous communities have their importance in the maintenance of principles for collective actions and the formation of cooperatives that allow them to strengthen and reinforce an organizational wisdom, characteristic of their own culture, which constitutes their greatest social capital. Accordingly, economic strategies based on sustainability and participation like the cooperative idea can help supporting these regions in their way to greater economic independency and welfare.

Guaraní, Sopa Paraguaya and Tereré – sound familiar?



The answer we are looking for is the rather small country of Paraguay, given name to a landlocked territory in between Bolivia and its big neighbors Argentina and Brazil with approximately 6.8 million people. The official languages are Spanish and Guaraní, the latter being a well preserved indigenous language that is still spoken or at least understood by most Paraguayans. Even if you might not have heard of the word Guaraní before setting a foot in the South American country, once you do, you will realize the importance of it. Modern Paraguay is still strongly influenced by the ethnic group that once settled in the vast tropical forests of today's territory of Paraguay and Southern Brazil. Also, while enjoying your first Paraguayan lunch or dinner, it is highly likely to stumble upon the words Sopa Paraguaya and Tereré. While the first term might tell you that it is a soup we are talking about, do not be too sure until they serve you what they literally call the Paraguayan soup (hint: it is not a soup). Top it all off with a nice cup of Tereré, the traditional drink that cools your

head in the tropical climate, pay the bill with Paraguayan Guaraníes and, voilà, you officially arrived at Paraguayan soil.

Cooperatives in Paraguay

The cooperative sector per se takes an important role in the economy of Paraguay and has seen a significant growth since 2007 in particular. Proof for that is the number of members registered in Paraguayan cooperatives that has doubled to approximately 1.5 million people within these 10 years, corresponding to almost every fourth Paraguayan adult.

Cooperatives are usually located in rural regions, where private banks show little or no presence and interest. In addition to production cooperatives, rural savings and credit unions are often important drivers of rural development in these zones. Within the system they implement schemes to support the local population, cooperatives and small farmers alike, to implement new projects through their funding and accompanying technical advice. As a positive side-effect, people are encouraged to seek contact with their neighbors. And who knows, maybe even think about organizing themselves economically as a community and cooperative, respectively.

In Paraguay, the cooperative sector is divided into a finance sector with CONPACCOOP being its confederation and the production sector, led by CONCOPAR as confederation, the latter being strongly influenced by its federation FECOPROD. As the Paraguayan Federation of Agricultural Cooperatives, FECOPROD's main task is to represent the interests of both agricultural cooperatives and non-members. Furthermore, various services are offered in the area of consulting, testing and training.

The liaison between FECOPROD and the DGRV

The DGRV, the German Cooperative and Raiffeisen Confederation, works together with FECOPROD

since the project phase of 2007-2009. Main topics of the cooperation have been strategic planning, internal audit and internal control systems but also the development of a cooperative academy and a bank owned by the production cooperatives in Paraguay (BANCOP).

Looking at the overall strategy of German development cooperation in Paraguay, it comes as no surprise that the DGRV wants to step up its activities in promoting the rural development since the local office sees a major demand for the cooperative idea within marginalized regions. Correspondingly, the organization invited the German agricultural expert Dr. Ralf Schaab to Paraguay. Together with representatives of FECOPROD and the DGRV, five regions and eight projects were visited in the southeast of Paraguay in April 2018. The idea of the visit was an analysis of the current situation within these cooperatives and farms, identifying needs for potential projects to tie up to as the implicit primary goal.

Mr. Schaab proposed potential activities and

projects that are all within the overall framework of the improved value chain for small and medium-sized farms. Beyond that, these projects are all based on existing projects and designed to strengthen sustainability in the regions by promoting cooperative structures, on the one hand, and technical assistance, on the other. They can be seen as useful additions that increase the cost-effectiveness of measures already taken by other organizations like the Paraguayan FECOPROD, the German GIZ (and CIM), the Japanese Nikkei Foundation or local partners, therefor contributing to a more stabilized income for farmers. By consolidating the foundation of these families and the surrounding communities, the project also aims to keep younger people in rural areas, either to sustain the economic perspective for young families or to even reunite them.

Prohibitive acquisition costs for appropriate equipment prevent small scale farmer from being competitive with their bigger peers. That said,



better equipment is not only necessary to facilitate hard manual labor in the fields and to make processing raw materials more cost-efficient and profitable, but might also represent the biggest obstacle from integrating more steps into the local value chain. However, families often simply cannot afford these necessary investments, mostly due to insufficient funds being available to them.

Cooperativism in rural areas of Paraguay

Self-help is a good example why the cooperative idea can be seen as an elementary solution to economic independency: “What one person cannot achieve is achieved by many”. Besides the economies of scale of buying and selling together and the economies of scope by sharing best-practices and knowledge, cooperatives are also beneficial when it comes to capital-intensive investments as mentioned above. The machinery becomes more easily accessible as more people take a share in its financing, not only reducing unused time of the equipment, but also reducing maintenance costs.

“Self-help is a good example why the cooperative idea can be seen as an elementary solution to economic independency.”

In the context of a first reunion after the visit of the German expert, the DGRV and FECOPROD talked about the potential of each proposed project. The idea in general is simple: large, successful cooperatives help smaller neighbors to make their



processes more economical, hence promoting regional socio-economic development. An example of such a project would be to help smaller associations or cooperatives within a network to integrate value-adding processes into their value chain. The so-called “neighborhood cooperatives” for the promotion of small farmers has been a successful development model implemented by rural cooperatives in the federal state of San Pedro for almost 20 years. The neighborhood cooperatives Cuatro Vientos in Volendam and Cooperativa Carolina in Friesland are seen as key players in this project, as both of them have a number of smaller and weaker players in their respective areas that would have a great benefit from such a project.

“Financial support for micro-investments as an incentive for establishing cooperative structures is often necessary and could be supported by different donors”

During the conversation, three areas have been identified in line with the neighborhood coopera-



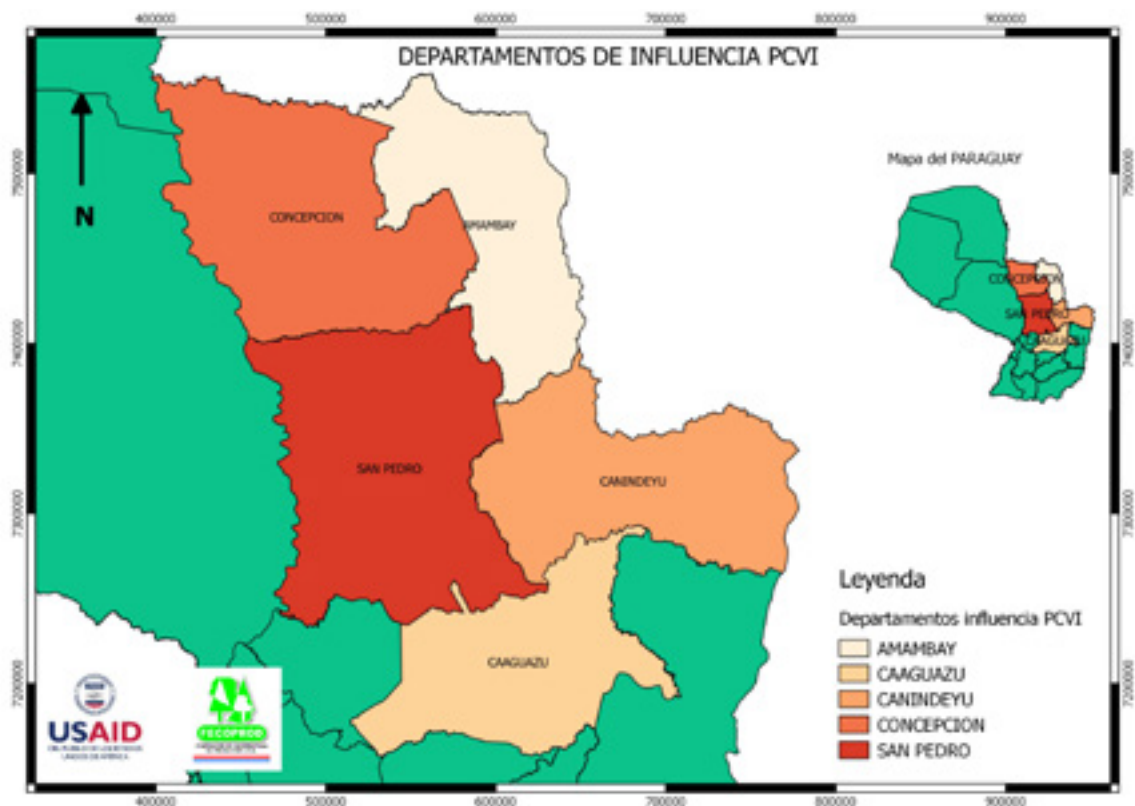
tives mentioned before. First of all, mechanization and technological adaptation of small farmers, i.e. small machinery, cold storage, drip irrigation, etc.. The DGRV sees its main supporting role in management consulting and technical advice. Financial support for micro-investments as an incentive for establishing cooperative structures (see German Maschinenring as example) is often necessary and could be supported by different donors. Second, supporting the training of cooperative systems for farmers to help them organize themselves as an economic association. Activities of the DGRV could include e.g. process consulting in the areas of joint certification of products, marketing strategy, organization dynamics, etc.. As a last area, the DGRV sees potential for establishing financing models alongside technical support for farmers through rural savings and credit cooperatives. The role of the DGRV could include technical advice to farmers on the economic use of investment, on the one hand, and financial (credit) counseling for the

cooperative, on the other. A similar scheme has been implemented by the Paraguayan cooperative COOPEDUC which is explained in more detail in the last section of this article.

USAID assisting indigenous communities

Another important development project within rural areas of Paraguay is the **Inclusive Value Chains Program (Cadenas de Valor Inclusivas)**, implemented by FECOPROD, with the financial support of the United States Agency for International Development - USAID. The project assists the indigenous communities in four of the seventeen provinces/states that constitute the Paraguayan territory, making it an important player within the international cooperation context.

The technical assistance of the Paraguayan federation with USAID reaches around 3,000 people





distributed along the provinces of Amambay, San Pedro, Concepción and Canindeyú. This assistance consists of the development and strengthening of the communities in different aspects, such as venturing into sales of agricultural production in an associative way to acquire their own identity and a development based on ancestral knowledge.

“The indigenous communities have their own values of an association that is based on solidarity, organization and commitment.”

The setting of indigenous communities requires their own ways of living and finding of nutrition in nature, which was and still is the main supplier of food. Additionally, through plants and animals from their local regions, the indigenous people use medicine that allows them to increase in knowledge and wisdom about plant species for treatment of diseases and food production. One main characteristic of Paraguay is its large extension of forests that served as a habitat for the indigenous communities, which were displaced



over time since territories were re-organized because of the growth of agriculture, livestock and industries.

Despite this organized culture of survival, indigenous communities are still the most vulnerable in our country, since they do not have the capacity to meet their basic needs in an autonomous manner. This is where support and aid is needed, so that their insertion into the economy can be established, based on recognition and respect for their ancestral values.

The cultural tradition of these groups in the use of forests, medicinal plants and food, as well as honey, are considered a cultural capital that must be preserved, but also adjusted to new markets without affecting environmental and social sustainability.

Strategic project

In this regard, FECOPROD executed until September 2018 the *Inclusive Value Chains Program* with the support of USAID / Paraguay, with the main



objective of promoting the sustainable economic and social development of small-scale, rural producers and those of the indigenous communities. This is achieved through the promotion of agricultural value chains that pay special attention to the active inclusion of small producers and indigenous communities. Furthermore, these actions and strategies incorporate environmental sustainability and the mitigation of the adverse effects of climate change.

Here are some activities based on the ancestral knowledge about the use of their forests and natural resources, taking into account their forms of use and exploitation: First, honey production is based on traditional knowledge, which is a development of appropriate technologies for an efficient production that is sustained economically, socially and environmentally, taking advantage of the existing rich and exuberant flora, without the destruction of natural resources. Second, the production of medicinal plants, which represent the natural capital of the community and an ancestral collective heritage.

Therefore, the **ASSOCIATIVE WORK** ends up strengthening this means of sustenance, besides generating income for families.

According to five-year work experience with these natives, the associative work strengthens the production and valuation of native seeds, for the formalization of commercial ends, activity that maintains its culture, its security and food sovereignty, and ultimately commercializes a very important remnant required by neighboring societies. Another significant aspect of the organizational strengthening is the following: It is still a challenge to overcome the poverty and instability of food supply for indigenous people because of the minimal supply of products that can access markets and financial resources.

Experience in associative work and the incorporation of women

The diversification of agricultural production is of great importance and it is being implemented in the communities as said before. Women take the

center stage and cooperate both in the production of their own farms and in the associative farming. Several women join an association to produce traditional medicinal and aromatic herbs in Paraguay through the knowledge they inherit from their ancestors. This knowledge is added to the techniques of professionals, who work in close cooperation with them.

The sharing and exchange of successful experiences yields excellent results for the adoption of useful models for improving the quality of life of these groups. One example of this exchange is in the sales fairs that take place in the capital city, which includes people from urban centers and individuals from other parts of the country. These exhibits become interesting sources of income for indigenous families, who display their products of great quality to the general public. This type of business is being adopted by some indigenous communities, with strict assessment in quality and the presentation of their products. It is necessary to continue promoting projects such as “Associative Work”, to seek the development of indigenous people and achieve through this type of initiatives sustainability with a business model that respects their cultural beliefs and traditions.

Another example to promote resilience of rural area population

The Guairá administrative district in southern Paraguay is known for cultivating sugarcane. After the closure of the sugar factory in the municipality of Iturbe, development in the affected communities of Iturbe, San Salvador and Borja has stagnated over the past six years. This led to a reduction in the agricultural activity of small farmers and hence to raising debts, an observation that is also reflected in the statistical analysis of the region: According to data from the national statistics office, DGEEC, total poverty for the Guairá region for 2015 is 28 percent, of which about ten percent are considered “extremely poor”.

The biggest cooperative of this region, “COOPEDUC”, was founded between 1971 and 1972



in the city of Villarrica as a savings and credit cooperative of educators, on the one hand to gain financial independence and, on the other hand, to promote the social appreciation of their profession. In 1997 other goals were added, such as the expansion of services for its employees and integrated consumption, production and services. COOPEDUC has over 150 employees and currently has 65,428 active members, spread across different communities, mainly in the Villarrica area. Over half (52%) of all cooperative members are women. Since 2004, the cooperative has also financed the agricultural production of small farmers in the Guairá region and in some municipalities of the neighboring department of Caazapá. 4,393 farmers are active members of the cooperative, making COOPEDUC one of the primary sector promoters in the region.

“COOPEDUC’s motivation for the project was to provide support to families and farms particularly affected by the impacts of the recent developments as they could not expect help from the state or any other organization at the same time”



Since the sugar crisis has hit the region in 2012, COOPEDUC is helping farmers finding profitable alternatives (like the passion fruit or Mburucuyá in Guaraní, as seen in the picture) to strengthen social and economic self-preservation and resilience. The cooperative's motivation for the project was to provide support to families and farms particularly affected by the impacts of the recent developments as they could not expect help from the state or any other organization at the same time. According to the cooperative, the most important goal is not only to give people their dignity as farmers, neighbors and fellow human beings of the region, but also to counteract the rural exodus and to make the country life more attractive again, challenges that can be seen only in the Paraguay countryside in the face of a more globalized world.

Cooperation as key: the role of the DGRV

In the course of the close cooperation between the cooperative COOPEDUC and the DGRV, farmers

are trained by the project staff mainly on financial and technical issues as well as the potential of cooperatives. The formation of producer groups according to regional zones promotes economic efficiency as well as social thought, while diverse cultivations with new products like sesame and passion fruit enhance farmers economic position by securing income through agreements with bulk buyers.



In addition, the program Oñondivé (Guarani for “together”), funded by the German Government, was founded in COOPEDUC with the help of the DGRV. This refers, on the one hand, to a refinancing fund providing special grants for micro-loans adapted to the needs of producers and the harvest and, on the other, adapted training courses in the field of financial education for small farmers. Furthermore, the DGRV advises the cooperative on the definition of eligibility criteria for borrowers, the definition of appropriate credit assessment procedures and the granting of loans to segments of the most vulnerable members. The learning process is continuous as it took place in two consecutive agricultural years, which brought some lessons and opportunities for improvement that were discovered by the DGRV technicians and analyzed together with COOPEDUC’s executives and staff.

By continuing the project activities presented, the area can develop into a region of organic products for regional and international markets in the years to come. The aim is to continue building capacity among farmers in order to transfer technologies, added value and production volumes and integrate them into the value chain. In addition, the municipalities themselves should set up coordination centers for cooperation in order to achieve coordinated action in six municipalities with public and private institutions. This work requires the participation of multiple actors, where local cooperatives play an important role, as an axis of regional development.

“The cooperative idea is still valid and relevant today”

In general, the success of international cooperation is always reliant on solid business principles paired with good cooperative governance structures by counterparties. By supporting the cooperative sector and by making its market more efficient and competitive, the DGRV continuously strives to closely stick to principles that are in line with the cooperative idea as contemplated by Friedrich Wilhelm Raiffeisen, which is to promote the welfare, socio-economic and cultural life as-

pects of all its members. The presented cases of the DGRV and USAID are current examples that these principles are still valid and relevant today.

Korean Credit Unions CSR and Social Finance

Seung Yong Ahn

I. Introduction

Credit Union in Korea

This year, Credit Union celebrates its 59th anniversary. Credit Union is a cooperative-type financial institution that operates as a non-profit entity for mid-level and lower income households. Credit Union currently has 888 primary credit unions as members, 1,653 locations, 6.15 million members and USD 8.1billions in assets. It is not just a financial institution, it is a social movement working to create a society where people live together under the philosophy of considering people and members first. To realize its philosophy, Credit Union engages in corporate social responsibility (CSR) activities, provides social financing and supports the social economy to help create social value and practices the spirit of the Credit Union movement.

Activities

In addition to savings and loans for members and local communities, Credit Union is heavily focused on CSR activities, providing social financing and supporting the social economy.

CSR activities: The central office of Credit Union established the Credit Union Social Contribution Foundation to carry out a variety of local social contribution activities in which Credit Union and its employees participate.

Social financing: The Social Economy Team in the central office of Credit Union systemically aims to provide USD 89.6 million in social financing per annum.

Supporting the social economy: Credit Union supports social economy organizations in a variety of ways through management support, operational support and space as well as financial support.

II. Social contributions

Youth's cooperative Start-up Support Project

To ease youth unemployment and create a healthy ecosystem of cooperatives, Credit Union established the Young Persons' Cooperative Start-up Support Project. Eighteen startups have been identified and incubated so far and provided with USD 116,487 in financial support. In 2018, Credit Union paired up the selected cooperatives founded by young people to local primary credit unions at a 1:1 ratio to provide total business support, including business feasibility reviews, start-up mentoring, sales channel exploration and cooperative business discovery.



1 school : 1 primary credit union financial education

Primary credit unions provide financial education (including commonly-known financial and economic information, career experience, etc.) to students at nearby schools, giving them opportunity to gain a sufficient level of understanding about the economy. Primary credit unions in 50 regions entered into partnerships with primary, middle and high schools nearby to carry out a variety of activities, such as financial education and class visits to primary credit unions. By October 2018, 2,445 primary, middle and high school students had participated in the financial education offered.



Cooperative economy mentoring

Credit Union provided programs, focusing on co-operation and economics, to children and youth registered with local children's centers inside common bond. 91 primary credit unions have become partners of nearby children's centers and offered 7-month mentoring programs (647 sessions in 2018). Financial education by primary credit union employees, one-day bank employee experience, on-the-job training, etc. 615 employees of 91 primary credit unions participated in this program for 2,250 children from low-income families. By the end of 2018, Credit Union had entered into partnerships with 256 children's centers and provided USD 688,172 for the program.



Children's Soccer Club



Credit Union held a 3-day soccer camp for children from the alienated class and the children of primary credit union employees, on learning to cooperate and cultivate social skills through sports. Worked with Plan B Sports, a social cooperative that helps retired soccer players re-socialize. In addition to learning basic soccer skills, the kids also practiced developing a cooperative spirit through cooperative games and mini-games. The School was held four times in 2018, with 248 children from low-income households or of primary credit union employees participating.



Volunteering in Korea

As part of its ethics movement for creation of a society where everyone lives together, Credit Union employees volunteered in low-income neighborhoods or where medical services are inadequate.

Medical volunteers: In 2018, Credit Union set aside 10 days for its employees to engage in medical service volunteering. Medical services provided to 1,662 Credit Union members and local residents.

Onsesang Sharing Campaign: In October every year, Credit Union provides heating and cold-weather items to low-income households. In 2018, 6,700 Credit Union employees and members from 342 primary credit unions participated in the Campaign. 100,000 coal briquettes and 5,600 cold-weather items were provided to 4,800 low-income households.

Volunteering outside Korea

Credit Union provided medical help, built vocational training centers and carried out other vol-

unteering activities for local communities and children in foreign countries.

Vocational training centers: Credit Union built a vocational training center in Choeung Ek, Phnom Penh, Cambodia, to improve the local environment and local infrastructure. Provided training in job skills related to computers, English, sewing, etc. and opportunity for young people in the local community to help themselves. A group of Credit Union employees participated in remodeling



of the vocational training center and gave USD 80,645 to the Vocational Training Center Establishment Fund.

Medical service volunteering: Credit Union provided 4 sessions of medical services (including dental care) in 4 Asian countries (the Philippines, Nepal, Mongolia and Sri Lanka) between 2014 and 2017. Served 6,921 persons in 4 regions.

III. Social financing

Social economy

The ‘social economy’ refers to economic activity in the private sector that creates social value. It represents private sector efforts to resolve social problems that cannot be handled by the public sector alone, such as unemployment, the growing wealth gap, climate change and the demographic cliff.

Expected results: The social economy can create a variety of positive effects, such as mitigating market or government failure, creating jobs and mitigating income polarization.

Social financing

A financial activity that pursues both realization of social value and financial gain. Loans to the social economy sector are made at low interest for the long-term. In Korea, there is insufficient social financing, as most social economy organizations are still small and remain unsound financially.

Social financing by Credit Union

Credit Union, as a member organization in the social economy, is planning a social economy ecosystem.

Creation of supply system: 137 of Credit Union’s 888 primary credit unions will serve as social financing leaders to lead Credit Union efforts to increase and strengthen social financing. When evaluating loan applications, Credit Union uses a social value evaluation table to consider the applicant’s contribution to creation of social value. Those who pass receive long-term, low-interest patient capital.

Social savings: Credit Union offers a savings product that provides 0.5% lower interest to those who agree to work towards vitalizing the social economy. The central office matches the lower portion of interest (0.5%) to create a fund (equal to 1% of the total interest on the savings) to be provided to approved social economy organizations.

Financial transactions

So far, most of the small volume of transactions between Credit Union and social economy organizations have involved savings and loans.

The central office manages 2 exclusive products (Special Guaranteed Loan for Cooperatives and Win-win Cooperation Loan) offered by primary credit unions, designed to make it easier for social entrepreneurs to access financial services.

Financial Transactions between Credit Union and Social Economy Organizations in 2018

Savings			Loans		
No. of primary credit unions	No. of social economy organizations	Balance	No. of primary credit unions	No. of social economy organizations	Balance
444	1,500	USD 35.6 million	53	178	USD 14.8 million

Primary credit union examples

Dongjak Credit Union

- Reduced or waived transaction fees for social entrepreneurs.
 - 100 companies benefitted from reduced or waived fees in 2018.
- Evaluated loan applications from social entrepreneurs considering the social value they would create, as well as their financial status.
 - Provided 124 loans equivalent to USD 8.8million to social enterprises in 2018.
- Identified a variety of social financing models through cooperative projects.
 - Acted as an intermediary for the Seoul Metropolitan Government (SMG) social investment fund and provided long-term, low-interest patient capital (totaling USD 6 million) to social enterprises and the socially vulnerable.
 - Sought to resolve housing problems faced by the housing poor (young adults and alienated elderly) through exclusive social housing finance products.*

* Provided rent deposit loans to 58 persons, worth a total of USD 331,541.
- Provided loans for mini-photovoltaic power generators, as part of the Green Financing Demonstration Program and contributed to improvement of local energy welfare.
 - Provided eco-friendly mini-photovoltaic power generators (USD 3,584) to 20 persons under an interest-free installment payment plan.
- Collaborated with Chongnyun Jigap Training Center* to organize 'The Right Loans for Young Adults' and 'Zero Debt for Young Adults' campaigns.
 - Provided personal credit consulting to 10 young adults to help them become financially independent through appropriate loans and refinancing programs (equivalent to USD 26,882).

* A social cooperative that helps young adults plan for healthy finances by reviewing their

financial situations and spending patterns and providing consulting and education.

North Seoul Credit Union

Handled the SMG social investment fund and provided working capital and building acquisition funds at low interest rates, mainly to new social enterprises.

- Provided 144 loans worth USD 5.6 million to social enterprises as of 2018.
- Helped found and run Kidari Bank - a bank founded by university students that operates in the form of a cooperative, granting micro-loans or credit to student members.
 - Model case: Kidari Bank at Hanyang University has 145 members and has provided loans totaling USD 19,713.

Provided financial products designed to resolve social problems (social installment savings and local crowd funding)

 - (Social installment savings) An installment savings product that offers 1% higher interest rate than a time deposit, if the customer agrees to contribute 10% of his/her monthly savings to a fund designed to resolve social problems.
 - (Crowd funding) Contributed a certain amount when a customer subscribes for a time deposit designed to help those in the region's vulnerable classes and provided preferred interest rates in accordance with the amount of contribution.
 - Model case: North Seoul Credit Union Jjajang Day -free jjajangmyeon to approximately 500 children registered with 17 local children's centers every month (North Seoul Credit Union contributed an amount that matched the amount raised through crowd funding).
- Developed and managed a win-win cooperation fund and local self-help fund model; managed local funds account to which public and private sector actors contributed.

IV. Support for social economy

Support for the social economy

Credit Union helped increase self-sufficiency within the social economy not only through social financing, but also management support and provision of space. Credit Union is helping social economy organizations in a variety of ways, such as through start-up support, free bookkeeping software and other cooperative programs.

Management support

Support for tax and accounting issues: Credit Union developed and provided a dedicated online tax and accounting support platform for social economy organizations that need it. 374 social economy organizations have become members of CU-bizcoop and were using the platform as of 2018. It will collaborate with social economy support organizations in Gyeonggi-do to provide a tax and accounting support program to cooperatives in 2019. In addition there will be monthly visits to cooperatives to assist them in properly maintaining their accounting books and file tax reports. Credit Union will also provide annual tax and accounting software training to social enterprises in each region (10 sessions in 2019).

Major functions of CU-bizcoop

Accounting: Financial accounting services, such as accounting, settlement and bookkeeping for cooperatives

Tax: Issuance of tax invoices, management of sales and purchases, filing VAT returns etc.

Others: Member management, management of member investments, analysis of geographic business environment etc.

Support for management of village management cooperatives

Credit Union helped people establish village management cooperatives where people and communities maintain and manage their own villages; reviewed business feasibility of village management cooperatives; and provided support with such items as budget and accounting management. Credit Union vitalized and developed local economies through management support.

Village management cooperative

- In implementing an urban rehabilitation project (road reorganization, supply of common facilities, reorganization of appearance, etc.) implemented by the Korean government, the village management cooperative is to be led by residents, to participate in urban rehabilitation and manage the rehabilitated urban area thereafter.

Space provided

As part of cooperation between cooperatives, free business space was provided to young social economy organizations with financial challenges, towards becoming self-sufficient.

Primary Credit Union Examples

Jumin Credit Union

- Provided both financial support and a comprehensive incubation service ranging from corporate establishment to management.
 - Exemplary case: USD 716,846 loan granted to Seongnam Citizens' Bus Co., Ltd. for the purchase of a bus and assisted citizens in getting micro credit loans (USD 2,688 per person) to make their investments.
 - Incubation services also provided, such as consulting, towards Seongnam Citizens' Bus Co., Ltd. becoming certified as a social enterprise.



- Helped cooperatives establish themselves and provided office space.
 - Jumin Credit Union provided free space in its own building to more than 10 cooperatives.
 - Jumin Credit Union entered into a 5-year lease agreement with 'Nanum Café' which asked for no rent if 30% of Nanum Café's operating profit was donated to the local community in the interest of mutual benefit and contributing to society.
- Actively sought to form solidarity and cooperate within the social economy network.
 - Towards more reciprocal relations, Credit Union reduced credit card transaction fees for cooperatives which designated Credit Union as their main bank and introduced Credit Union to their members.
 - Used the cooperative member basis to provide sales channels to social enterprise organizations.
- Participated in the 2018 Cooperation Project Discovery Contest for Cooperatives * to implement the cooperated projects.
 - Organized health education and visit-the-producer events, as well as cooperative projects.



- Formed a Cooperative Social Economy Fund* with some 120 social economy organizations in Seongnam City to develop the local community.
 - * A joint fund created by the social economy network in Seongnam City. Jumin Credit Union contributed 1% of its total dividends (to be paid to members) to the fund as a social dividend.

Samick Credit Union

- Helped Ggum-eerum Cooperative establish itself and provided it with office space. Ggum-eerum Cooperative was formed by 8 start-up groups selected by a social entrepreneur.

neur incubating project Samick Credit Union jointly hosted with the Daegu Metropolitan Government in 2012.

- (Administrative support) Provided rent-free office space from June 2013 and USD 2,151 per year to help with administrative expenses.
- (Cooperative project) Planned events for local residents and members of cooperatives (to which office space was provided) and engaged in volunteer activities, urban rehabilitation projects and economy education for youth.

Details of Cooperative Projects:

- Events for local residents: Planned Neighborhood Alley Festival and organized lifelong education and career education for local residents.
 - Volunteering for the alienated elderly and families: Established Message Factory Cooperative and Education Cooperative. Organized 'Share with the World Campaign' in collaboration with Todak-todak Cooperative.
 - Participated in Dooryu-dong Urban Rehabilitation Project: Participated in a 'My Neighborhood, A Good Place to Live' Campaign
 - Economy education for the youth: Provided education to youth on the economy, finance and vocations.
-
- Provided social enterprises with rent-free space in the Samick Credit Union building to help them grow.
 - Provided the entire six-story building free of rent to social enterprises.
 - Created a co-working space inside the building, allowing resident social enterprises to discover a variety of opportunities to collaborate.

Wonju Balgeum Credit Union

- Helped cooperatives discover collaboration project opportunities.
- Provided rent-free office space to Wonju Medical Welfare Social Cooperative and promoted it to the members of Wonju Balkeum Credit Union. Provided a variety of benefits, such as discounts on fees, to the members of Wonju Balkeum Credit Union when they use the services of Wonju Medical Welfare Social Cooperative.
- Became a member of the Wonju Cooperative Social Economy Network to seek collaborative project opportunities with social economy organizations. Presently, 36 social economy organizations are members of the Wonju Cooperative Social Economy Network.

The origins, present and future of the Raiffeisen idea in Switzerland

Hilmar Gernet

The origins of Raiffeisen Switzerland are typical of an intrinsically motivated loan or business cooperative launched in the early years of the 20th century. Today, the bank is looking for ways to remain successful in the market with co-operative values, while staying true to its own entrepreneurial self-image. There are digital challenges that Raiffeisen, like all companies, must master. Raiffeisen has the advantage that the cooperative model sets it apart from all other banks in important ways. Raiffeisen can look forward to a sustainable future, if two conditions are met: If it is possible to bring the unique entrepreneurial heritage and the special commitment of its members into the digital age in a timely and demand-driven way.

This essay offers an historical review to illustrate how successful dialogue around values, together with the call for a radical Raiffeisen reform, can turn origins into a concrete future.

Part 1. The origins

Raiffeisen's idea in Switzerland

No one ever 'invented' the cooperative – not even Friedrich Wilhelm Raiffeisen, who was born in the Westerwald region of Germany on 30 March 1818, i.e. 200 years ago. As it did during his lifetime, the cooperative still stands to this day for a basic form of human cooperation: self-help. Raiffeisen himself, however, summed up the cooperative idea in simple words: 'What is impossible for the individual can be achieved by many.' After the initial successes of the Raiffeisen banks in Germany, his principles – self-help, self-management and individual responsibility – served as the basis for setting up cooperative banks in Switzerland.

The liberal cantonal government official and national assemblyman in Bern, Edmund von Steiger (1836-1908), visited Raiffeisen in the Westerwald region in 1885. Inspired by the idea of the cooperative credit union, and impressed by Raiffeisen personally, he returned to Bern. As the person in charge of the Bernese agricultural policy, he called for awards of prize money for the establishment of credit unions under the Raiffeisen

system. The money achieved the desired effect. The first three Raiffeisen credit unions were established: Schosshalde/Bern (1886), Zimmerwald (1887), Gurzelen (1888).

But it was not Edmund von Steiger who laid the cornerstone for today's Swiss Raiffeisen Group in Protestant Bern. It was Fr. Johann E. Traber (1854-1930) who did so, in the Catholic, eastern Swiss canton of Thurgau. In 1899, together with 45 men and his sister Veronika (13th member), he created the savings and loan association in Bichelsee-Balterswil. Just three years later, ten credit unions joined the Swiss Association of Raiffeisen Banks that Johann Traber had founded: Bichelsee, Beromünster, Seewen, Sempach-Neuenkirch, Ettingen, Waldkirch, Niederhelfenschwil, Quarten, Einsiedeln, and Yberg.

As with Raiffeisen, the village, the small unit, was Traber's creed, field of action and lifeblood. After returning from studies in Würzburg and Leuven, he remained in eastern Switzerland for the rest of his life. For Traber it was the focus on the village-based credit union that formed the basis for his success. He stated his first fundamental principle in the style of Raiffeisen: 'The Raiffeisen Credit Union Association is limited to a narrow area, typically a local community, and its members must have their place of residence in the area of operation of the association.' He described the ideal as 'a church or political community, preferably one of 1,000 to 3,000 inhabitants'.

For decades, the emphasis on the independence of the small unit served as the credo of the Raiffeisen network in Switzerland. A presentation held at the conference to mark the 75th anniversary of the Swiss Raiffeisen Bank Association in 1977 at the University St. Gallen identified the strength of the Raiffeisen organisation 'on the one hand, in the decentralisation of the individual banks in accordance with the federalist principle of our state, and on the other hand in their combination at national level. (...) Because the banks are strongly rooted in the communities (...), both the banking postulate of security and that of market proximity are optimally realized.' The presentation found agreement on the 'harmfulness of the concentration process in general and within the

cooperative organisation in particular. (...) The merger of Raiffeisen banks – as, for a long time, the merger of banks generally – is a taboo topic in Switzerland.' A deterrent example is 'German fusionitis'. It is feared that the process of contraction in Switzerland could be similar to that in Germany, where only 2900 (merged) independent credit unions were forecast for 2003, compared to 4800 in 1978.

Denominationally neutral

Around his place of residence in Bichelsee, the Catholic parish priest Johann Traber quickly became known as the 'Swiss Raiffeisen'. The first years of the association went well. He was able to persuade, motivate and organise. Traber set the pace. It may be surprising that Traber was committed to ensuring that his credit unions were not dominated by the demands of a Roman Catholic or Protestant reading of Christianity. According to the association's first annual report, the Raiffeisen organisation was not to be the 'domain of any confession or political party, but should instead take root as a free organisation wherever a Christian and non-profit sensibility offer it fertile ground. (...) Catholic and Protestant ministers should compete in the effort to establish Raiffeisen banks.' Initially, Traber viewed the Raiffeisen banks as 'a work of Christian charity (...) with ideal aims'. To him, they were never a 'mere business'. Even later on, this attitude remained the doctrine postulated by association management. The banks should 'never degenerate into everyday banks'.

The shared use of the village church by religious communities of both denominations is part of everyday life in Bichelsee in the Hinterthurgau region. This experience contributed to Traber's religious tolerance. He was accustomed to pragmatic cooperation with the reformists. A law dissertation dating from 1923 states that it is not justified suspecting that 'the Raiffeisen movement has a denominationally Catholic character'. The following arguments were put forward in support of this statement: 'Accident'. It was by accident that Traber, a Catholic clergyman, successfully launched Raiffeisen banks. Moreover, Raiffeisen banks were

also 'being set up in purely reformist parts of the country'. After all, the 'socio-ethical leitmotif' was characteristic not only of churches and political parties, and 'it is at the very root of the idea of the cooperative.' Reference was also made to Raiffeisen, who, as a Protestant, had maintained 'his independence from all religious dogma'.

Putsch against the pioneer

After the first ten successful years of the association, a dispute arose between the pioneer Johann Traber and the local banks. He sought to install a central bank in Bichelsee through which all of the member banks' financial transactions would be handled. This was something the local banks were not willing to accept. They wanted to continue to have the power to decide for themselves with which banks they would conduct business. The systemic tension between central authorities and local units that every federalist organisation must balance led to a bang and cost Traber his position as head of the organisation. The democratic coup against the pioneer occurred in 1912. Traber, who was also stubborn and set in his ways, did not realise that the time for a central bank was not yet ripe. Just four years later, the association, which now relocated from Bichelsee to St. Gallen, had a central bank of its own.

Traber rebelled against his dismissal. He founded an oppositional newsletter, the 'Raiffeisen Messenger' ['Raiffeisenbote']. He hoped this would provide him with a way to continue to contribute his ideas to the association. The strategy failed. The new managers of the association offered him a position as editor-in-chief of the association publication. Personally insulted, he turned their offer down. In 1913, Traber wrote that he had been 'revolted away from the association for political reasons'. Frustrated, Traber withdrew to Bichelsee. He remained president of the supervisory board of the credit union there until 1921.

Traber was invited to St. Gallen as a guest of honour for the association's 25th anniversary in 1928. He gave a speech in which he suggested there were only two things that could 'kill' the Raiffeisen organisation: '1. It itself, if it should de-

viate from its golden principles, which are built on the eternal basic law of love for God and neighbour. 2. Brutal violence, if we should be faced with Russian-Communist conditions that destroy all justice and trample all private initiative.'

Johann Traber died on 29 October 1930.

Traber's legacy

To Traber, the cooperative was a programme, but not primarily a political mission. Far be it from him to advocate for a 'comradeship-in-arms' of the sort that Viktor Aimé Huber, for example, proposed in 1841 as the basis for a conservative party in Germany. In 1906, however, Traber was a co-founder of the Catholic Conservative People's Party in Thurgau Canton. He did not draw up a differentiated cooperative treatise. The 'practical script' for the 'Management, bookkeeping and accounting of Raiffeisen credit unions' (1901) is his main concern. Or, in 1909, the short and easy-to-read 'instructions' "Bookkeeping and accounting for Raiffeisen credit unions" His area of expertise is the practical, the applicable side, not comprehensive analysis and presentation. He offers the following advice to the beginning Raiffeisen cashier 'who only succeeded well in primary school': "Do not read the instructions all at once. Instead, read only exactly what you need and have to put to immediate practice."

During the founding years around Traber, the term 'corporate governance' – on which the Swiss Raiffeisen Group is currently working intensively – was not yet known; what was known were the principles of good management by executive board (management), supervisory board and cashiers (calculator, bookkeepers, administrators). In Raiffeisen banks, there should be no 'accumulation of offices, i.e. hoarding of all kinds of office in a single person'. He saw a risk of 'irregularities', 'breaches of office' or 'loss of overview'. Some people had already been 'made unhappy' in this way.

Traber articulated selection criteria for managers based on these considerations. 'No one should be appointed to the executive board, let alone the supervisory board, who is already very busy. Above

all, you should not choose people who brag; focus instead on men who are recognised as capable, industrious and simple in their own profession and business; they need not be career civil servants.' On the qualities that make a person suited for the office of cashier, he noted, 'commercially trained people may be good for this, but they are not necessary.' Traber relied on farmers, craftsmen, clergymen, teachers, labourers and office workers. If there was no other way, it could also be a civil servant. 'Thanks to its simplicity, the good management of a Raiffeisen bank requires little more than would the work of managing a municipality, church or school fund. The most necessary requirement is conscientiousness and punctuality.'

The cashier holds a key position in a bank, even if he or she is only an 'employee of the board' who is to be 'moderately compensated' for his or her 'efforts'. As a precautionary measure to 'prevent the emergence of an omnipotent bank administrator (...) alongside which the boards and supervisory boards sink into insignificant tools or idle spectators', he or she should not hold a position on the board or supervisory board.

When selecting members for the own Raiffeisen bank, the board 'must not be shy, but must preserve the security and honour of the firm. E.g. it can hire drunkards on a trial basis. And help them in exchange for good security and on the condition that their condition improves. But if they are incorrigible, the board should bravely exclude them.' Traber cautioned against the award of loans to what is known as a 'so called big shot'. He advised others to be suspicious of 'bold entrepreneurs and speculators'. According to Traber, the best kind of creditworthiness was 'founded on a simple lifestyle befitting one's social status, and a diligent and economical housewife brings more credit to her husband than do daughters who live beyond their status or sons engaged in sports.'

Reading Traber's writings, it becomes clear: His attitude is close to Friedrich W. Raiffeisen's, too. According to Alfred Böhi, Traber's first biographer and a contemporary, it was the 'most sacred duty' of the 'executors of Traber's will' to ensure that his 'splendid thoughts remain pure and unadulterated.'

Raiffeisen as a 'farmers' bank'

As early as 1916, the Swiss Raiffeisen Association joined the Swiss Farmers' Association 'as a supporting member'. It was not until 1919 that it became a member of the Swiss Bankers' Association. Later on, in the 1920s, the association noted that 'groups of large banks and (...) in some cases cantonal banks' were looking out for Raiffeisen banks as 'supplementary banks with a right to exist'. This appreciation was not yet certain at the time, however. From 1927 onwards, the Raiffeisen Association had the expressed hope of 'occasional joint representation of interests' on the part of 'small and medium-sized banks' and 'rural savings and loans'.

It was not until the 1960s that, thanks to strong growth in mortgage loans, Raiffeisen went from being a farmer's bank to a retail bank that began awarding consumer loans as well. In order to avoid the dependence on business with interest rate differentials, an initial diversification strategy was launched in the 1980s, which further developed Raiffeisen to be the house bank of the broad middle class. With 1,229 independent banks, the maximum number of independent Raiffeisen banks was reached in 1986. From then on, business expanded, and banking mergers began.

Part 2. The present

The dynamics of development as a group

As the leading Swiss retail bank and the third-strongest force in the Swiss banking market, Raiffeisen now has around 2 million cooperative members and 3.8 million customers. The 246 legally independent and cooperatively organised Raiffeisen banks (as of May 2019), which together operate around 900 bank branches, are all merged into the Raiffeisen Switzerland Cooperative. This organisation exercises the strategic leadership function for the entire Raiffeisen Group. With group companies, cooperation arrangements and investments, Raiffeisen offers private individuals and companies a compre-

hensive range of products and services. The current balance sheet total stands at CHF 225 billion (31.12.2018). In 2014, the Swiss National Bank declared Raiffeisen a banking group with systemic national relevance.

The ambition Raiffeisen has today is to actively assist its customers in all situations throughout their lives. Along with a historic focus on private and investment customers (with services in the areas of payments, savings, financing, old-age provision and investing), Raiffeisen has diversified its business fields in recent years and expanded its business with both corporate customers and wealthy private customers. As a domestic bank, however, Raiffeisen deliberately refrains from expanding the market to other countries in parallel with its diversification.

Federalism and democracy

As has been the case since the founding of the Swiss Raiffeisen Bank Association, Raiffeisen still has multi-level decision-making and authority levels that are structured according to the principles of federalism and subsidiarity. For these reasons, the strategic development of the Group, the central bank, risk management, product management, marketing and sponsorship, as well as IT, are concentrated at Raiffeisen Switzerland. For their part, the 246 local, independent cooperative banks look after marketing, pricing and provision of needs-tailored banking services.

Through the 'one person, one vote' principle and involvement by the membership, cooperatives are geared towards long-term success for the benefit of their members and are anchored locally. With their voting rights, members participate in and decide during local general meetings, thus forming the highest body of their local Raiffeisen bank. They elect the governing board, for example, and issue decisions on topics such as mergers or modifications of the network of branch offices. Cooperative members also benefit from attractive interest rates on their share certificates, preferred conditions on banking services and attractive leisure activities (sports, culture, travel).

For their part, the Raiffeisen banks are owners of the Raiffeisen Switzerland Cooperative, which ensures democratic participation at this level as well. Together, the Raiffeisen Group forms a community of joint liability. For members and customers, thanks to a well-funded solidarity fund, mutual liability on the part of Raiffeisen banks amongst themselves and via Raiffeisen Switzerland means a high level of security for members and customers. Stability results from mutual control and checks and balances between the elected bodies of the cooperative group.

The cooperative structure does not call Raiffeisen's economic success into question – on the contrary: cooperative stability and the reinvestment of profits generate new business opportunities. The question of whether a cooperative can react quickly enough to such opportunities is chiefly a question of structure (hierarchical organisation) and of the culture of leadership and cooperation. Precisely because of the complex and democratic structure of a cooperative with a large number of different communication platforms, overarching strategic decisions, taken jointly, are generally better accepted and actually implemented when compared to those of public limited companies.

In relation to the Raiffeisen banks, Raiffeisen Switzerland is, to begin with, a 'serving institution', as the mission of the cooperative, within the meaning of Art. 828 (1) Obligationenrecht (OR) [Swiss Civil Code on Obligations], is '... primarily to promote or safeguard certain economic interests of its members...'. Nevertheless, in addition to services, the association exercises actual corporate management functions and has statutory strategic and supervisory functions. A circular governance structure in the cooperative association has the capacity to reduce this immanent tension between headquarters and primary banks, but it cannot be eliminated (see paragraphs below *Everything turns out quite differently as well as Reform 21*).

Value debate and basic strategy

Although the co-operative pioneers were debating the design of the system even in the 19th century

(e.g. Raiffeisen versus Schultze-Delitzsch), there are two elements of cooperatives to be highlighted that still apply to this day: First, there is the 'liberal axiom' of self-help or help for self-help. Raiffeisen is committed to this approach – complementary to its 'dualism of utmost religious idealism and a sober sense of reality'. The second element that should be mentioned is the significance of participation (the 'one person, one vote' principle, among others) 'as the central narrative (...) of the cooperative'. This describes how decisions are organised and implemented within a self-determined, self-administered economic structure.

In 2010, Raiffeisen decided to take a unique approach towards expressing cooperative participation inside the organization as well. Through the development of a new basic strategy of the Group by dialogue. At the time, the number of employees in the Raiffeisen Group had doubled since 2000 to around 11,000. To decide against a strategy imposed from headquarters, or from on high, is to bring employees' dedication and broad personal expertise into a creative process. Raiffeisen sought a systematic dialogue that would not only integrate employees' ideas and experience, but also repeatedly take the expectations of a host of external stakeholders into account. To achieve this, the organisation needed a basis in values, shared by all employees, that would prove itself sustainable even in the face of significant shifts in social, political and economic framework conditions.

Over the course of four phases of the project, content was developed and networking among the various departments ensured. An entire organisation (from the individual Raiffeisen bank to headquarters staff) had to adapt to this logic. The consequence of this highly dynamic setting was that the interfaces had to be renegotiated and arranged at practically every stage of the project. But it is these discussions that helped stakeholders evolve in their respective self-conceptions, both in and on behalf of the organisation.

The process for developing and anchoring the basic strategy was divided into four phases (elaboration, discussion, finalisation, anchoring). Procedurally speaking, the dialogue level (value

debate) was distinguished from the instrumental and structural (structural strategy) level. During the elaboration phase, a foundation for discussion based on the existing thrust was created for the first dialogue event, with strategy and banking experts contributing guiding topics (e.g. productivity, sales). The design core for all of the intermediate steps of strategy development can be found in various dialogue forums in the years 2012, 2013 and 2014, with (interim) results fed back and bundled by the employees or suitable bodies. This is how each forum constituted the basis for the next qualitative step.

Because of their clear cooperative value orientation sets, Raiffeisen banks, contrary to their competitors, an independent project stream was set up for the values. As a foundation, 22 documents by and about Raiffeisen were analysed, with 230 values identified. Finally, four core values emerged from a variety of workshop discussions with the management and the division heads: credibility, sustainability, proximity and entrepreneurship.

The major effort invested to cope with the complexity of the project proved worthwhile: the large forums identified aspects that had not been anticipated by either the project team or the specialists who were involved in the preparations. Working groups delved into key operational issues in greater depth to develop concrete results during the course of the process at the request of management. This includes, for example, assigning concrete courses of action for the four core values that had been developed. But there was also discussion of the membership model of the future, and of the requirements for the next generation of bank managers.

Right from the outset, an axiom of the strategy process was that all banks should have an opportunity to comment on all topics. Quality factors of such a dialogue-based strategy are interdisciplinarity in the blend of methodologies, the fullest possible integration of decision-makers at the key stages of decision-making, closed feedback loops for all phases and inputs of interested parties, and adaptability of the project to any new developments that might emerge from the content developed. Ultimately, complete transparency about

methods, objective, procedure and processing is essential for the success of the project, which consists not only in developing the basic strategy, but also has to prove itself through application of the content and values by each individual employee in his or her work with the customer.

Management took delivery of Version 1 of the basic strategy in February 2013. This marked the end of the discussion phase and the beginning of the finalisation phase.

'Version 1' was evaluated with the banks at an extraordinary forum for presidents and bank managers. An online survey was conducted to systematically prepare for these forums. Accordingly, the text of the strategy contains 68 'uncritical' and 33 'controversial' topics. Seventy percent of the content of the strategy had thus already been established after the 'first round'. The remaining 33 controversial topics were discussed in extraordinary forums for bank managers. Thanks to digital technological support, it was possible to map and condense complex, interactive integration processes with many stakeholders.

The governing board approved 'Version 2' on 29 January 2014. Due to critical feedback received from the presidents of the regional associations, four of articles on the basic strategy were amended once more in consultation with the presidents of the regional associations, the chairman of the governing board of Raiffeisen Switzerland and by circular resolution, and were finally enacted as 'Version 3'.

The anchoring phase for the new strategy began under the title 'Working together to create the future'. The 2014 dialogue convened some 600 participants from the more than 300 Raiffeisen banks in Lucerne with the aim of making the new basic strategy operational. By that point, the focus was no longer on whether, but on how. With bank managers and governing boards working with the new basic strategy based on the newly defined or adapted canon of values, they themselves began the process of anchoring these values. For employees, the new basic strategy and values were anchored with the aid of a common team excursion. Each bank hiked the 'Raiffeisen path' in its local surroundings. Using an Augmented Reality

app, at the ten virtual stops along the way, participants discussed, experienced and translated the ten most important messages of the basic strategy into the real world. These hikes were held from summer 2014 to summer 2015.

On 26 September 2015, the 'Raiffeisen Dialogue', this unique 'self-help' strategic project, concluded with a unique event held at the trade fair facility in Basel. All of the roughly 11,000 employees and managing board members of Raiffeisen Switzerland and the local Raiffeisen banks gathered in large workshops to discuss their own contribution to the success of the entire group. This made working in and for the Raiffeisen cooperative a thing participants could physically experience.

This marked the preliminary conclusion to the unprecedented, in-depth interplay of deepening and broadening, group processes, interactivity and negotiations around the new strategy and the values of Raiffeisen Switzerland. The Raiffeisen strategy is thus more than just strategic corporate development. It is a highly complex process of understanding with which the Raiffeisen Group makes itself capable of engaging in dialogue with the future, for the future.

The result was a value strategy that employees do not simply accept in order to proceed to ignore it in everyday business. Instead, they can now apply this strategy each and every day to concrete reality, because they were involved in the process from start to finish and had an opportunity to help shape it. For once, it can actually be said that those affected, from A to Z, were and are still involved.

Part 3. The future

Strengthening member participation

In the transition from an industrial society to a society of knowledge and expertise, the requirements for modern (cooperative) companies will evolve as well. Technology- and knowledge-based value creation places far higher demands on sustainable corporate leadership and cooperation, as well as on the performance of corporate communication. To this extent, digitalisation proves to

be a cultural challenge, as today's companies ultimately represent something like knowledge cultures. A culture like this must be in a position to connect people in a positive spirit, creating value from productive networks in the process.

In the economy of the future, the cooperative principles – participation, cooperation and self-help – will have an important role to play. It is the citizens, the corporate citizens included, who, in their capacity as entrepreneurs, workers, family members or consumers, insist upon sustainability, proximity, credibility and participation in and from the economy. This also increases the demands on large cooperatives to actually and credibly practice the core entrepreneurial values that set them apart from other forms of undertaking. A next step in the process of the cooperative development process Raiffeisen will be to strengthen and, at most, expand the participation of members (cooperative members) in the regions. Accomplishing this does not require a centrally managed process, but rather inspiration and innovation on the part of local banks. One idea is the Raiffeisen Community: with it, the members can participate to an even greater extent and, above all, digitally. Together with the employees, they are involved in the (further) development of products. Their participation will increase, and faith in Raiffeisen as a life-long partner in financial matters with local roots will be sustainably strengthened.

Particularly in the difficult phase in which the cooperative model is also criticised by external actors, Raiffeisen must make every effort to ensure that the cooperative remains an attractive, democratically-based, subsidiary economic form in the digital 21st century, with up-to-date, cooperative structures, processes and tools. The conditions for accomplishing this are favourable. There are two sources for this optimism: the origins and the future of participatory, democratic business.

With the dialogical development of the new basic strategy and the basic values (2010-2015), Raiffeisen created an essential condition for a successful path into its own, cooperative future. The basic values – proximity, credibility, sustainability, entrepreneurship – are the updated ideal sub-

structure, so to speak, for the conversion and new construction already under way with the project name 'Raiffeisen foundations' ['Raiffeisen Grundlagen']. Specifically, this is a fundamental revision of the Raiffeisen constitution, its statutes.

Statute revision in two stages

The Statute revision – planned in two stages: 2018 and 2019 – will make the Raiffeisen cooperative future-proof again for at least one generation. The revision will meet the needs and challenges of the digital 21st century. The first stage (2018) takes into account the requirements of an entrepreneurial cooperative bank. Unsecured loans will be possible – and the statutes will be adapted accordingly. This is admittedly a truly big step for Raiffeisen. After all, ever since Raiffeisen was founded, the rule has been: loans only in exchange for collateral. Nevertheless, this innovation in lending makes sense. After all, it is an essential mission of a bank to take balanced, calculated credit risks vis-à-vis SMEs, the backbone of the Swiss economy. This takes seriously, above all, the focus on entrepreneurship decided in the strategy on basic values, but also the values of proximity and credibility.

It is in the nature of the matter that the value of sustainability cannot be the main deciding factor in business with unsecured loans. (Sustainable) SME development often begins with an unsecured loan. This is a promise in the competence, determination and motivation of entrepreneurs and their compelling idea for a product or service. An unsecured loan is a promise and a sign of entrepreneurial faith in the future, in continued development of the SME sector as the basis of our successful social and prosperity model in Switzerland. For the honourable (banking) merchant and the honourable Raiffeisen (banking) merchant, it goes without saying that the chances of success will be reliably clarified in any case. Because what is at stake is the faith the Raiffeisen cooperative bank places in its customers – and vice versa.

The second stage (2019) must become even more radical for the Raiffeisen organisation. It must literally (the Latin word "radix" means root, origin) reach to the very roots of the cooperative. The organisational foundations of the coopera-

tive must be determined in a new and democratic way, in a modern and future-oriented spirit. The mission must be to strengthen Raiffeisen Switzerland's cooperative model as a modern, sustainable, independent, subsidiary, participatory form of society and business. The primary aim is to use the revision of the statutes to render the four fundamental values that have been defined, the meanings of which are complementary and equivalent – credibility, sustainability, proximity, entrepreneurship – operational for the practice of cooperative banking. The fact that Raiffeisen is systemically relevant nationally and at the same time ranks among the important regional economic categories with the many smaller local banks, makes the task particularly challenging.

Everything turns out quite differently

The planned corporate and banking reform projects ('Fokus21'), which St. Gallen headquarters, Raiffeisen Switzerland, wants to implement under its management, are the impetus for the putsch of the primary banks and regional associations. During a plenary in Berne in September 2018, the grassroots rebel (well prepared) against the future programme of the head office. It is not possible to dismiss certain parallels to 1912, with the putsch in Olten against the founder of the association Johann Traber, who failed with his fixed programmatic idea to set up a central bank against the will of the Raiffeisen banks.

The fact that Dr. Pierin Vincenz, Raiffeisen's CEO for many years, who resigned in 2015, was detained for three months in February 2018 for opaque, personal investment businesses he had still carried out in his CEO function, contributes to the heated mood in the Raiffeisen Group in 2018. Allegations and accusations that have become public are currently the subject of investigations by public prosecutors, which is why the presumption of innocence naturally applies (as of May 2019). From spring to autumn 2018, it feels like almost every day Raiffeisen appears in the media with negative headlines.

The members of the Board of Directors from the Vincenz era are urged to resign at the Annual Gen-

eral Meeting in Lugano in June 2018. Likewise, the last hour has struck for the Executive Board, which claims to have not known anything about the business of their boss. November 2018 makes everything new. At the Extraordinary Delegates' Meeting in Brugg, the Board of Directors - with the exception of two persons - is newly elected. Guy Lachappelle, former CEO of Basler Kantonalbank, becomes Chairman. There, under pressure of the Raiffeisen primary banks, the 'Reform 21' project is approved. Kurt Sidler, President of the Conference of Presidents of the Regional Associations, and Guy Lachappelle are appointed co-managers of the major Raiffeisen conversion and renovation project. In 2018, Raiffeisen Switzerland - Executive Board and Board of Directors - goes through the biggest reputation crisis in its history. The local Raiffeisen banks nevertheless manage to be successful. With their aggregated annual results, together with the business activities of the head office, they deliver the second-best result in Raiffeisen's history.

Reform 21

Today, after the biggest reputation crisis in 2018, Raiffeisen Switzerland is once again at the very beginning. The foundation of cooperative activity, the three values - Liberality (self-help, subsidiarity), Democracy (head vote principle, participation) and Solidarity (cooperative association, joint liability) are to be reinterpreted in a modern way and to be designed and lived in the organisation suitable for everyday use. This task is more radical - not least because of the reputation crisis - than the dialogue project 2012-2015. If the result of this dialogue was a quartet of four entrepreneurial values - proximity, credibility, sustainability, entrepreneurship - it is now a matter of reinterpreting the cooperative Raiffeisen bank in the 21st century, making it fit for the future and regaining trust in all dimensions of one's own Raiffeisen activities.

The Reform 21 project also focuses on the basic cooperative values - liberality, democracy and solidarity. The reform approach wants (and must) give back the appropriate weight to the participation of the local Raiffeisen banks, the owners

of Raiffeisen Switzerland. The federal-subsidary cooperative model, lived in an association, must find appropriate modern processes, means and ways not only to endure the tension inherent in the system between head office and decentralised banks, but also to shape it positively. Raiffeisen must develop its own tailor-made, suitable cooperative model. In this way, it can meet its specific needs for modern self-help, its own benefits, self-organisation and participation.

Within the cooperative democratic banking enterprise, the individual local Raiffeisen cooperatives are characterised by a high degree of diversification and difference (individuality). They live a duality of local-regional, economic characteristics with considerable scope for decision-making, as well as organisational framework conditions with mutual support (joint liability) within the Raiffeisen Group.

In the Reform 21 project, all Raiffeisen banks are for the first time jointly developing an owner strategy and a new corporate governance (e.g. one bank, one vote) for a modern and sustainable, as well as a regional and marketable, cooperative model. The catalogue of tasks and services of the head office in St. Gallen will also be redefined, to be provided more strongly in future on behalf of and in accordance with the needs of the local banks. The owner strategy and the new corporate governance are to be incorporated into the Raiffeisen statutes and adopted at an extraordinary meeting of delegates in Crans Montana in November 2019. The third main element of Reform 21, the revised catalogue of services (including a new price and cost model), must be completed by summer 2020. This will allow operational measures to be taken and investments to be made in order to start the 2021 business year with the right changes to the corporate identity (not with a completely new concept). Once again, a start or a modern interpretation of the cooperative has been made.

The cooperative system in Turkey and producer and marketing cooperatives run by women

Amesia Çalışan
Arı Kadın Girişimi
Üretim ve Pazarlama
Kooperatifi

Salahattin Kumlu

1. The cooperative system in Turkey

The first cooperatives in Turkey were established towards the end of the Ottoman Empire. Just 15-20 years after the cooperative movement began in the countries that led the way – such as Great Britain, Germany and France – the first combines with a cooperative orientation were formed in the second half of the 19th century. These organisations, known at the time as ‘Memleket Sandıkları – Home Funds’, represent the beginnings of cooperatives in Turkey. The movement received new impetus after the founding of the Republic in 1923. Under the leadership of Atatürk, a wide variety of activities were initiated in all areas of the cooperative system during the period between 1920 and 1938. The law that created the Institute for the Cooperative System in Turkey went into force in 1931. In 1935, this legislation was succeeded by laws establishing agricultural credit cooperatives and agricultural sales cooperatives. These laws form the foundations of the cooperative system in Turkey. The Turkish legislature issued a research mandate to the Institute for the Cooperative System, while the two types of cooperatives mentioned above were commissioned to resolve the problems of credit financing and sale of agricultural products.

The cooperative movement stagnated during World War II and the post-war years. Once it had been anchored in the country’s constitution in 1961 and was issued state mandate that promoted it, the movement regained momentum after 1961.

Another milestone was the adoption of the Law on Cooperatives, Act No. 1163, in 1969. This law, which is very similar to the German Cooperatives Act, is still in force. Work has been ongoing for around 10 years to adapt this law to the new circumstances.

Finally, the ‘Turkish National Cooperative Strategy and Action Plan’ went into effect in 2012. This plan had been drawn up by all relevant Turkish parties and with the support of the German Cooperative and Raiffeisen Confederation (DGRV).

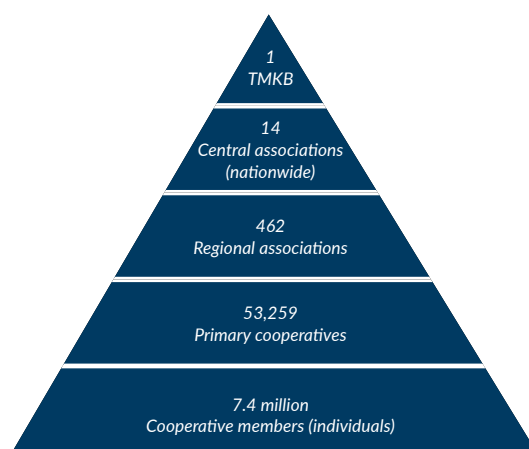
There have been three laws on cooperatives governing the cooperative sector since 2017. Three ministries are responsible for the implementation

of these laws. Turkey is one of the world’s leading countries in terms of numbers of cooperatives, but not in terms of the percentage of the citizenry belonging to a cooperative. In other words, cooperatives in Turkey are predominantly small in size.

The ‘Report on Cooperatives in Turkey 2016’ was published in May 2017 under the direction of the Directorate-General for Cooperatives at the Ministry of Customs and Trade. According to the report, there were 53,259 cooperatives in Turkey at the end of 2016 with a total of 7.4 million members. They were organized into 462 regional associations, which in turn were organized into 14 central associations. The umbrella organisation is the Türkiye Milli Kooperatifler Birliği (TMKB) – the National Cooperative Union of Turkey.

The Law on Cooperatives, Act No. 1163, governs not only primary cooperatives, but also their parent associations. It stipulates that the regional and central associations must also take the legal status of cooperatives.

Fig. 1: Structure of the cooperative system of Turkey: cooperatives, associations and membership numbers in 2016



Although Turkey is one of the leading countries in quantitative terms, the quality and entrepreneurial success of its cooperatives leaves a great deal to be desired. Alongside some cooperatives and associations that are economically strong and very successful, the vast majority are dependent upon state support. The number of cooperatives that

satisfy the principles of the cooperative system and are run accordingly is insignificantly small. Serious deficits remain in the area of self-governance. The main problem, however, is undoubtedly the lack of commitment to cooperatives on the part of their members, combined with an inadequate sense of belonging.

The government officials in charge are aware of the problem and are in search of solutions. One such solution is the Turkish 'National Cooperative Strategy and Action Plan', which went into effect in 2012.

2. Producer and processing cooperatives run by women

Women are subject to economic and social disadvantage worldwide. Cooperatives can make an important contribution towards overcoming this situation, as equality is one of their guiding principles and values. Membership is granted to all without regard to religion, language, skin colour, gender, etc., nor is there any discrimination in terms of the authorities and rights of members: all members enjoy the same rights.

However, in spite of the fact that the principle of equality is enshrined in fundamental values, principles and legislation, women continue to be disadvantaged. This situation is particularly evident in the underdeveloped and emerging economies. Women are in a clear minority among cooperative members and are nearly nowhere to be found in positions of leadership.

Based on this fact, a type of cooperative has been introduced in Turkey that is known as 'Kadın Girişimi Üretim ve İşletme Kooperatifi', 'Producer and Processing Cooperatives for Women' ('Women's Cooperatives'). They are open to women only. In addition to this, there are cooperatives the statutes of which stipulate that women must form a majority of members and in positions of leadership.

At the end of 2016, there were 55 women's cooperatives with a total membership of 640. This corresponds to a still very low average number of 10-20 women in each such cooperative.

It would be naive, however, to assume that women who have been marginalised to date, and who have been constantly disadvantaged in social and economic terms, would suddenly seize the initiative, take charge and compete with men who have been dominant in society to date. To understand the problems with which entrepreneurial women find themselves confronted, they first need to be heard and shown empathy.

Against the backdrop, the women's cooperative S.S. Amesia Kadın Girişimi Üretim ve İşletme Kooperatifi will be presented. It recently gained nationwide recognition throughout Turkey. The presentation is a summary of conversations held with members of this cooperative.

3. An example of a successful women's cooperative in Turkey: the cooperative Amesia Çalışan Arı Kadın Üretim ve İşletme Kooperatifi

Amesia is the name of a region in northern Turkey. It is where Amasya Province is situated, one of the country's 81 provinces. According to historians, the name 'Amesia' derives from Amasis, Queen of the Amazon.

Located in the heart the Black Sea region, Amasya Province is divided into 7 districts, including the central district. The most socially and economically developed district is Merzifon.

Merzifon forms a link between the western and eastern parts of the province. Merzifon has the strongest agricultural and industrial sectors of all of the districts in the province.

Another special feature of the district is its social structure. Turks, Greeks and Armenians lived together in the district in peace until the end of the 19th century. That is when the Armenians and Greeks were unfortunately forced to leave the area. Today, their numbers are greatly reduced. As in other multicultural areas, the population was characterised by a high level of tolerance, and life and commerce were characterised by diversity.

The Amasya Province Cattle Breeders' Association (DSYB Amasya), founded in 1998, is the only

such association based in a central district rather than in a provincial capital. The association quickly became active and developed into a successful agricultural organisation, with positive effects for the district and the province. DSYB Amasya maintains national and international relationships, partnerships and networks, making it one of the leading examples for the country today.

In 2011, DSYB Amasya founded 'Amesia Gıda, Tarım, Hayvancılık, Nakliye, Sanayi ve Ticaret Limited Şirketi – Amasya Food, Agriculture, Breeding, Transport, Industry and Trade Ltd. ("Amesia Ltd.")', with the declared purpose of marketing local and natural products produced by the wives of association members using their own resources. The company also operates a dairy to process the milk of association members. The dairy products are marketed under the 'Amesia' brand name. The name quickly became widely known and is in demand not just in Merzifon, but throughout the country. The company currently has sales subsidiaries in Merzifon, Ankara and Istanbul, and in nine airports. It also runs an online shop at <http://www.amesia.com.tr/>.

Amesia Ltd. acts as a supplier, marketer and sponsor for the 'Amesia Çalışan Arı Kadın Girişimi Üretim ve İşleme Kooperatifi' women's cooperative.

In spite of different founding statutes, in terms of their structure and function, DSYB are cooperatives with a strong similarity to cattle breeders' associations in Germany. The main reason for this is that they emerged from Turkish-German technical cooperation between 1990 and 1999.

The Amesia Women's Association was founded on the initiative of the wives of members of DSYB Amasya ('DSYB') and with the association's support. The German Cooperative and Raiffeisen Confederation (DGRV) also contributed to the establishment of the women's association. The following answers stem from an interview with Ms Medine Alkoç, Board Chairwoman of the cooperative.



What brought the women together?

A project initiated by DSYB in 2010. The project explained the importance of social security to the women. Women who participated in the training course became aware of the importance of social security, and we wanted to do something about it straight away.

Were you able to begin right away?

Did it go perfectly smoothly?

Unfortunately, it was anything but easy. Our husbands in particular caused problems and proved to be an obstacle. They were so used to having everything there for them. This is true not only of our husbands but of all the villages, if not of the whole of Turkey. The men are not exactly thrilled if their wives go to work independently. We always stay in the background. But to achieve social security, we have to work and become productive. There is no other way. At the time, DSYB had launched another project with a focus on milk hygiene and milk processing. We were informed about everything, from milking to consumption, and we received practical demonstrations of the knowledge that was conveyed to us. We learned the things we needed to pay attention to in the production of cheese – white cheese, hard cheese, farm cheese, etc. – and other products. The training sessions were held in a number of villages in Merzifon, and many women took part in them. After the training, we received our certificates. Then the next step was our own production.

Did you have facilities suitable for production?

As always, we contacted DSYB. Our husbands are members there, and some are members of the board. We explained to them what we wanted to produce.

They were not thrilled, but the DSYB Chairman was on our side, and that is how we overcame the problem. At first, rooms in a residential building were rented for us.

Who do you mean by 'us'?

By 'us', I mean 15 interested women from 15 different villages. We wanted to bring about a change in general and in our own lives as well. We really were very lucky. Not only did we receive assistance from DSYB, but we also had a leader who pointed us in the right direction. Actually, we did not know what we were doing at first. It was Bingül Aliş, a retired teacher, who brought us together, organised us and pointed us in the right direction. Bingül Hanım made us a team and provided us with leadership. We really owe her a lot.

Were there differences of opinion within the group? Or did the fifteen women from fifteen different villages easily come together and form a team?

Of course it was not easy. At first, we did not even know how to deal with each other. Bingül Hanım used beautiful examples and practical applications to train and shape us, though. Of course there were problems now and then, but we overcame them all. Now we have been together for a few years. Does that not show how well we manage the company?

You are certainly right. What happened next?

We did not just sit around. We met two or three times a week in the premises DSYB had rented for us and worked together there for a few hours. Our products were small, handcrafted products from the region. But for us, this was a very major thing. This was the first time we had met outside of our villages and spent time with like-minded friends. Free from the burdens of mother, father, husband, mother-in-law, father-in-law and children, we were free to talk and discuss what we would do next. It was a completely different world; it was like a dream. Before long, we could not wait to finally get back together with one another at our workplace.

How did you get from the village to your workplace? Did every woman have a transport connection?

Our husbands grumbled and drove us there and

picked us up in the evening. In the beginning, their resistance was great, but they got used to it with time. Seeing us satisfied and productive seems to have softened them, and they began supporting us.

Some of us had real transport problems. They came from further away, and public transport was expensive and did not drive very often. Sometimes DSYB organized transport for them; especially in rainy weather, the association drove them home.

How long did this go on? When did you start producing on a larger scale?

Around six months after our first meeting. One day, Bingül Hanım told us there would be a fair for local products in Antalya, and that we should definitely take part in that. Only, we did not know how to do that. If we could not even leave the village without our husbands, how would we make it to Antalya and market our products there? This was very difficult for us, and very exciting at the same time. We convinced our husbands and received financial support from DSYB. Then we packed all our products – jam, thyme, peppermint, tarhana, etc. – and drove to Antalya. That was an exciting experience. The interest in our products was very high, and we said to ourselves: we can do this; we absolutely have to continue our work. After that, things began gathering momentum.

What exactly did you do?

We decided to open a sales outlet. Since our products were obviously in high demand, we wanted to produce and sell a greater variety, with more and higher-quality products.

After returning from Antalya, we spoke with our husbands again, discussed things with them and finally convinced them. As before, DSYB has lightened our burden and paved the way for us.

How did you come into contact with cooperatives?

At the time we were looking for opportunities for further training in order to learn the things we still needed to learn and locate information about business opportunities. So we asked around about that. That is how we finally arrived at the DGRV delegation in Ankara. We met with a woman there and explained the matter to her. Since then, the DGRV rep-



representative in Ankara, Ms Ifakat Gürkan, has always been available for us and assists us in all matters. Together with the people in charge at the Ministry of Agriculture, DGRV informed us about the cooperative system, explained the benefits of the organisational form and trained us on a whole range of topics, food legislation, marketing, etc..

Did you set up a cooperative immediately after the training?

No. The experts at DGRV always urged us to make a plan, to calculate it through and to do business only where we would make a profit in the medium or long term. We said: let us set up a cooperative. They said: set up a virtual cooperative, elect a board and work for six months as if you were a cooperative. Then take a look at the results. If your earnings exceed your expenses and there is a satisfactory profit left over, you should officially start a cooperative. And that is how we did it; and it was good that we followed their advice.

What was the advantage of this approach?

What happened then was this: they had said work as a virtual cooperative for six months; we then

did this for four years. In the process, we learned everything from the ground up; we understood how a cooperative works, and we embraced it. It was not easy. In an environment in which everyone had produced and sold their own products up until then, we were suddenly being told to produce this quantity of the product in this way; then we would sell it together, with part of the revenue going back to the cooperative. It was not easy for everyone to accept that. Some people wanted to have a cooperative, but they wanted to keep all their income to themselves. Others did not want to work together, and their continued presence harmed themselves and the group. Unfortunately, some of the members of our group left the cooperative for these and similar reasons. Then we had to replace them with new members.

Today, we advise anyone who wants to start a cooperative to do a dry run before officially setting the cooperative up. If the collaboration works without major problems, and if the profits/benefits generated meet expectations, then you should proceed. Otherwise, an organisation like that will generate more losses than benefits. Then it is really just a shame.

REASONS FOR ESTABLISHING THE MERZIFON WOMEN'S COOPERATIVE AND RECOMMENDATIONS (20 FEBRUARY 2013)

- In order to put women producers in our region in a position to market their products under better physical and economic conditions, there is an urgent need for them to organise themselves in cooperatives.
- The cooperative was to be formed at village level or in a group of several villages, with a higher-level association established to represent the province.
- By creating women's cooperatives, women producers can market their products completely without intermediaries, or significantly reduce the number of intermediaries.
- The open markets currently organised in the provincial and district capitals do not offer ideal conditions for the sale of food. They need to be better organised, for the benefit of sellers and consumers alike.
- Women's cooperatives will lead to improvements in our region in many respects; they will create jobs, promote social integration and contribute to the regional development of agriculture and rural areas.
- Women working in rural areas on family farms are among the country's unregistered labour force and one of the groups most susceptible to poverty and unemployment. An association of these disadvantaged women under the umbrella of a cooperative will improve their lives and contribute towards family income.
- By setting up a women's cooperative, producers can market any surplus products not needed for their own consumption within the family. In the course of this marketing, they will realise which products are in demand and can then adjust their production accordingly.
- Local products produced and marketed under the aegis of a cooperative help promote domestic tourism.
- Not only food can be produced and marketed within the context of a cooperative, but gift items and home textiles can, too.
- Regional cooperatives promote women's entrepreneurial skills and secure their place in society as an economic factor.
- Cooperative workshops help promote women's craftsmanship.
- To support the activities of cooperatives, support should be sought from local and EU projects on issues such as marketing and training.
- Establishing exemplary production facilities in selected villages and organising production activities will accelerate development.
- Creating women's cooperatives will contribute to health awareness, child education, the promotion of women's rights and to the system of family counselling.
- Cooperatives will show women producers the importance of cooperation, assistance and solidarity and promote the culture of partnership.
- To raise awareness of women's cooperatives and explain their importance, training should be organised in village centres and its dissemination promoted.
- Arrangements should be introduced to cover the costs of setting up cooperatives – notaries' fees, the costs for a general meeting, accounting and other administrative fees – by the state or special provincial offices.
- One of the main declared tasks of the Amasya Province Cattle Breeders' Association (DSYB) should be to support all activities to establish 'women's cooperatives' and in particular the cooperative to be established by the wives of DSYB members.

How were decisions made at this stage?

First of all, we all agreed on products and the methods we would use to produce them. Our virtual cooperative procured the raw materials for this; we then produced and sold the products without any profit expectations. The proceeds from the sales went to our cooperative in the form of revenue.

We also manufactured products individually and sold them together. Five percent of the proceeds from sales of these products went to the cooperative. In other words, products were manufactured by individuals and sold by the group. Because the products were sold jointly, a portion of the revenue from their sale was withheld by the group. The idea behind this was to introduce group members to the idea that a portion of personal income had to be forwarded on to the cooperative. And we were successful in that. Most of the members were satisfied with this arrangement. At the same time, we earned enough money to finally decide to create a cooperative.

How many people left the group in the course of setting up the cooperative?

Four companions left the group; that is one in four. I think that this is completely normal. The others were determined to continue their work.

You established a producer and processing cooperative. What are its special features? How does it differ from other types of cooperatives?

The four years were exciting and not without their problems. In the end, we saw that we had mastered the work. We realised that we are able to work, produce, sell and earn money together. Now the time had come to form an autonomous structure. So we informed ourselves again. As you know, there are different types of cooperatives. Some are under the supervision of the Ministry of Agriculture, others under the Ministry of Commerce. The purposes for which they were set up differ, too. Experts advised us to set up a producer and processing cooperative under the Ministry of Commerce. That is because there is no geographical restriction for cooperatives like these. We can accept people from other villages, districts or provinces as members. Actually, as farmers, we should have chosen a type of cooperative under the Ministry of Agriculture. Cooperatives like

those are associations of persons from a village or from neighbouring villages in the same district. But because the women in our group come from different districts, an agricultural cooperative was not possible at all.

At this point, we would like to express our special thanks to the experts at the Ministry of Commerce, DGRV and the Ministry of Agriculture for their support in the start-up phase.

In short: We are women from different districts who want to market the products they have manufactured. The type of cooperative most appropriate to this purpose is that of a producer and processing cooperative.

When did you establish the cooperative?

It was registered on 25 May 2015 and was thus officially established. We are 16 members. We would like to welcome more members, but no one has enquired yet. Actually, there are many women who could participate, but many of them shy away from societal pressure and do not dare. What made me think of that? There are more than a hundred women who sell their home-made products to us. The problem does not lie in manufacturing or sales; the problem lies in participation in cooperative activities and solidarity with other women. The prejudices of husbands and senior family members play a particular role in this. The reason for this is very simple: women who work and become economically independent demand the right to participate in the family and in their social environment based on their economic contribution. Some find this unsettling. It will be hard to increase our membership figures until we can overcome these prejudices.

Where do you manufacture your products? Are these production sites compliant with legislation on food hygiene?

Unfortunately, we do not have a production facility where we can all work at the same time and that has been set up in accordance with legislation. We have made several attempts but have not succeeded yet.

Thus far, every member has tried to set up a space at home in a way that complies with legislation. That is where production then takes place. Bet-

ter-situated members make space available to other members at home.

This situation exacerbates the problems we have with our husbands, because we take up part of the apartment with fittings. The men complain, asking whether the home is a flat or a workshop.

What I mean by that is quite clear: to make products of higher quality, women need modern production facilities that they can easily get to and where they can work together.

How do you transport your products to the point of sale? Do you rent a vehicle for the purpose?

Transport is another problem we have. Unfortunately, we do not have a vehicle of our own that we can use to transport our products. A rental vehicle would incur high costs. That is why we ask our husbands to help. Sometimes it is easy, and sometimes we have to spend a long time asking.

How do you promote your products?

Advertising is another important problem. We ought to organise events, travel and visit customers.

Unfortunately, this effort fails both because of the money and the lack of support from our husbands. The men think it is unnecessary and fear a high financial burden for the family. We cannot make optimal use of the Internet, either, because we do not know enough about it. But we do have Amesia Ltd., a DSYB company, assisting us in this.

What do you do to lower your production costs?

More than anything else, we are trying to reduce the labour factor. To prevent misunderstandings: by this I mean not the use of technology, but the extensive use of one's own work. Technology is expensive, so there is nothing we can do about that yet.

We also make an extensive effort to procure our raw materials inexpensively. For instance, we collect the wild fruit for our jam in the mountains ourselves. We grow the fruit for our jams ourselves, and we also produce the milk for our dairy products ourselves. This is how we can keep the cost of raw materials low while improving quality at the same time.

We also purchase products from local women who are not yet members of our cooperative. We



pay them more for them than the usual market price. This way, we can provide them with an income, receive products of good quality and show them the benefits of a cooperative on the basis of a practical example. We serve as an example to them while investing in the future at the same time.

Did you have difficulties setting up a cooperative?

Establishing a cooperative is certainly not an easy matter. You do not have to provide a lot of capital, the way a company would, but even raising the necessary capital was certainly not easy for us women, as we are still in the beginning stages. Getting the money needed was very difficult. It would have been even harder if not for the support provided by DSYB.

Another problem involved the formalities. Go here and go there, this has to be applied for and this has to be filled out. That was tiring, daunting and also not really easy to understand. We had difficulty with this, even though the officials at the ministry were willing to help us.

Besides, we had virtually no idea of this 'legislation'. The laws, regulations and directives were ex-

tremely difficult for us to understand. There were a number of points raised in training, but it was only in practice that we understood what these were all about. That was very difficult for us, too.

And then there was the matter of the producer receipts, invoices, delivery slips ... All of that was new to us. I still cannot claim that I understand it all.

Was setting up the cooperative worth all the effort?

It definitely was. Despite all our efforts, when we succeeded, and when this success was expressed in the words, looks and behaviour of our social surroundings, we were uplifted with joy and forgot all the difficulties we had faced.

What advantages do you think the cooperative has brought to the women involved?

Above all, they have gained in self-confidence. They learned to stand on their own two feet and do a decent good job. As the cooperative became more and more successful, they became known in the country and that fills them with joy. Provincial leaders, mayors and managing directors of companies



welcome them; even ministers invite them. There are countless news items, studies and videos about them online.

So, yes, we are bringing courage to women; we have shown them that they can succeed, and we want to continue to be a role model for them.

We have learned how to turn raw materials into more valuable products. We have expanded our product range and improved our quality. In the process, we earn money while at the same time enabling others to earn something as well.

We have opened up new markets for our products. We also market the products of many women who are not members themselves. This way, we can provide them with an income and make money ourselves as well.

Before we began working together and launched our cooperative, we were too shy to buy a handkerchief in the market; today, each of us is an entrepreneur in her own right. Meanwhile, we are thinking of renovating our apartments and investing money in our production. This is an incredible transformation; I can hardly put it into words.

We are now able to listen more efficiently to the people we talk with. We have learned what empathy is and are aware of its importance. That has led us to success. We have learned to communicate and solve problems more rationally with our husbands, children and elders. We owe this to the training and cooperation we have experienced.

What principles do you observe with your products and your production?

We produce pasta, marmalade, jam, pickled vegetables, dairy products and other local products. In this effort, we base our manufacturing and marketing on the following: What does the customer want from us, how much of it does he or she want, and with which of our products is he or she satisfied?

Naturally, customer satisfaction comes first. That is why we constantly audit our members' production operations - which is to say we audit ourselves. We ask ourselves the question: Which of us further improves customer satisfaction, and with which products? Based on the answer to these questions, we divide the members into groups. Once these groups have been formed, persons are placed in charge

of the production and sale of individual product groups, such as pasta, jam and dairy products. Our products bear the name of the producer and the village. Anyone who is judged negatively by customers is sent a reminder. If no correction is forthcoming, that person's responsibility is withdrawn.

DSYB food engineers also control our manufacturing conditions and our products. We take the steps necessary based on their reminders and recommendations.

Do you offer further services?

Yes. Six of our members who made a very strong contribution have been elevated to the status of employees; we pay them a wage and guarantee them the associated social benefits. The other members receive remuneration for hours worked. Our aim for the future is to provide social security and health protection to all of the women working here.

What is next? What are your further objectives?

I just mentioned one such objective: social security and health protection for all women who are members of the cooperative and work there.

Another objective is to create employment opportunities for women, to provide them with an income and make money with them.

We also want products not to be thrown away in this region. That is why we want to first determine the needs and adjust our production accordingly.

We want to use and market the products produced by our members through the cooperative.

We want to serve as role models for women who do not work and feel helpless and incapacitated. We want to convince them that, if we work together, we will succeed.

What do you recommend to someone who wants to start a cooperative?

Above all: do not make any hasty decisions. They should carefully decide what they want to do, how they want to do it and with what or with whom they want to do it. That takes time. It took us nearly four years. The right people have to agree on reasonable goals; if not, failure and disappointment are inevitable.

Cooperatives require patience, dedication, soli-

clarity, respect for one another, empathy, work and a willingness to take responsibility. Stay away from the selfish, the greedy, and the gamblers who seek to get rich without effort.

Of course, up-to-date and reliable information and good training are also important. Interested parties should not forget that successful cooperatives are more likely to be found in societies in which the citizenry is educated and willing to get involved and share with one another.

Everything is achieved hand in hand!

Friedrich Wilhelm Raiffeisen and Cooperative Law

Hagen Henry

I Introduction

Friedrich Wilhelm Raiffeisen is seen as having invented and refined a model for cooperative banks. He himself saw cooperative financial institutions merely as a means to another end, namely to provide poor strata of society with credit for productive and consumption purposes.

His influence, if any, on cooperative law is even less known than that of his contemporary and compatriot Karl Marx, also born in 1818, and whose economic theories might have contributed more positively to socio-economic development had he given more attention to the role of law and to the relevance of his own critique of the (then prevailing) notion of law.²²

As far as German cooperative law is concerned, Raiffeisen's rival, Hermann Schulze-Delitzsch, judge and experienced politician, is credited with being the spiritus rector of the first cooperative law on the territory which later should become Germany. The Schulze-Delitzsch version of cooperative law came into force in Prussia in 1867. One year later, the Norddeutsche Bund [North German Confederation] made it its own. In 1871 it became the cooperative law of the newly founded German Reich. In the 1880s the law underwent a thorough review and in 1889 it was adopted by the German Reichstag [Parliament of the German Reich].

Some would argue that the main features of this law have remained unchanged ever since. However, if we accept – as we should – as a measure for this appreciation the cooperative values and principles, as laid down in the 1995 International Cooperative Alliance Statement on the cooperative identity (ICA Statement),²³ then the amendments to its original version, and especially those by the 1973 reform, may be seen as having triggered a qualitative change in Germany and beyond.

To what extent Raiffeisen's ideas influenced the 1889 German cooperative law remains to be researched. However, we know that Raiffeisen wrote an extensive memorandum on its 1886 draft only weeks before he died in 1888. A comparison of the 1867 Prussian cooperative law, the 1886 draft bill and this memorandum could shed light on the question.

However this German story went, my hypothesis is that Raiffeisen's "Prinzipien für die Führung von Genossenschaften [Principles of how to run/manage a cooperative]", which he had published as early as 1866 in a book,²⁴ are present in cooperative law, not only in Germany.

In what follows I shall therefore try to understand whether the (seven) Raiffeisen principles are reflected in cooperative law, whether and how they are still relevant and/or to what extent they might need adapting to new circumstances. I shall limit myself to looking for correlations, knowing that such correlations are no proof of any cause-to-effect influence of the Raiffeisen principles on cooperative law.

II Cooperative law and the Raiffeisen principles

1. Cooperative law

By cooperative law I understand here that what we have in common in cooperative law world-wide beyond our national and regional laws.²⁵ Beyond these we have an internationally agreed common definition of cooperatives and we have an internationally agreed set of cooperative values and principles. They are laid down in the mentioned ICA Statement. As integrated in Paragraphs 2 and 3 of and in the Annex to the 2002 International Labor Organization Recommendation No. 193 concerning the promotion of cooperatives (ILO R. 193),²⁶

22 See for a discussion of Marx' critique of "bourgeois law" Menke, Christoph, *Kritik der Rechte*, Berlin: Suhrkamp 2015.

23 Published in: *International Co-operative Review*, Vol. 88, no. 4/1995, 85 f.; <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

24 *Die Darlehens-Kassen Vereine* [The lending associations], 7th ed.1951.

25 As for the regional and international laws, see Henry, Hagen, *Genossenschaftsrecht – international* [Cooperative Law - International], in: J. Blome-Drees, N. Göler von Ravensburg, A. Jungmeister, I. Schmale, F. Schulz-Nieswandt (eds.), *Handbuch Genossenschaftswesen*, Heidelberg et al.: Springer (forthcoming)

26 ILO Recommendation No. 193 concerning the promotion of cooperatives, at: <http://www.ilo.org/dyn/normlex/en/f?p=NORMLEX->

respectively, they are legally binding and constitute the “measure” for cooperative law.²⁷ The ICA definition (hereinafter: the definition) reads “A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” The ICA (ethical) values are “self-help, self-responsibility, democracy, equality, equity, and solidarity ... honesty, openness, social responsibility and caring for others.” The ICA principles are “Voluntary and open membership; Democratic control; Member economic participation; Autonomy and independence; Education, training and information; Co-operation among co-operatives; and Concern for community”.²⁸

2. The Raiffeisen principles and cooperative law

The seven Raiffeisen principles are the following:

²⁹ Selbsthilfe [Self-help] (2.1), Selbstverantwortung [Self-responsibility] (2.2), Selbstverwaltung [Self-administration] (2.3), Prinzip der Orts- beziehungsweise Dorfbezogenheit [Local bond] (2.4), Prinzip der Universalgenossenschaft [Multi-purpose cooperative] (2.5), Verbundprinzip [co-operation among cooperatives] (2.6), and Freiwilligkeit [Voluntariness] (2.7).

2.1 The Raiffeisen principle of self-help is implied in the definition of cooperatives. This is widely overlooked, as can be deduced from the fact that many, cooperative members included, refer to cooperatives as being the servant of their members. The

definition does not support this. The cooperative does not serve its members, but the members serve themselves by means of a specific enterprise.

Self-help may be seen as the kernel of the cooperative idea. Its application is to strengthen self-responsibility and also to fend off outside influence, in line with the 4th ICA Principle (Autonomy and independence), which, in turn, presupposes financial and economic independence.

The question is whether the principle of self-help also determines the interpretation of the purpose/objective of cooperatives. The emergence of community interest, general interest cooperatives and social cooperatives in the community or general interest, as well as multi-stake holder cooperatives, bringing actors from the private and the public sectors together (hybrids), has reopened the debate on whether cooperatives may or may not satisfy the needs of others than those of their members. The wording of the definition seems to indicate that they may not.³⁰ While such limitation might overlook the reality of the mentioned cooperatives and also the influence of non-member business and that by non-patronizing or non-user investor members, it is keeping with the basics of cooperatives. However, it is limited to one aspect of the purpose/objective of cooperatives only, namely the (content of the) need of the members. The other aspect of that need might well be the way this need is being satisfied.

2.2 The principle of self-responsibility reinforces the principle of self-help. In its meaning of (self-)liability of the members it is not part of the definition of cooperatives anymore.³¹ It is also being withdrawn ever more from (national) cooperative laws, as are

PUB:12100:0::NO::P12100_ILO_CODE:R193

²⁷ For more details see Henry, Hagen, *Public International Cooperative Law: The International Labour Organization Promotion of Cooperatives Recommendation*, 2002, in: *International Handbook of Cooperative Law*, ed. by Dante Cracogna, Antonio Fici and Hagen Henry, Heidelberg: Springer 2013, 65-88

²⁸ These are the titles of the ICA principles. They are followed by longer explanatory texts. For modern interpretation of these principles by the ICA, see the 2015 International Co-operative Alliance Guidance notes to the co-operative principles at: <http://ica.coop/sites/default/files/attachments/Guidance%20Notes%20EN.pdf>

²⁹ See Werner, Wolfgang, Raiffeisen, Friedrich Wilhelm, in: Eduard Mändle/Walter Swoboda, *Genossenschaftslexikon* Wiesbaden: Deutsche Genossenschaftsverlag eG, 1992, 535-540.

³⁰ The Principles of European Cooperative Law answer this question affirmatively. See, Gemma Fajardo, Antonio Fici, Hagen Henry, David Hiez, Deolinda Meira, Hans-H. Münkner and Ian Snaith (eds.), *Principles of European Cooperative Law. Principles, Commentaries and National Reports*, Cambridge et al.: intersentia 2017.

³¹ Paragraph 12 of the ILO Co-operatives (Developing Countries) Recommendation, 1966 (No. 127) concerning the Role of Co-operatives in the Economic and Social Development of Developing Countries (see at https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:6158077507326::NO::P12100_SHOW_TEXT:Y;), in many ways the predecessor to ILO R. 193, contained such an element.

all forms of liability beyond the amount of the (membership)share.³² While this approximation with the liability of share-holders of stock companies takes full advantage of the possibility to enhance entrepreneurial behavior through the attribution of the status of legal personality and its ensuing liability shift, it renders access to credit more difficult, as there is no minimum capital requirement for cooperatives. It further heightens the control risk in cooperatives,³³ thus running counter to the definition of cooperatives (enterprise democratically controlled by the members) and the 2nd ICA Principle, that of democratic member control. In order for the 2nd ICA Principle to materialize, it must be embedded in the principle of participation and the latter must interweave with all organizational and operational aspects of the cooperative, from the joint determination of the needs of the members and the way they should be satisfied, via setting up supervisory committees/ councils and ensuring member education and training, to cooperative specific regular audit by qualified auditors. This wide notion of participation is to empower the members to exercise their control rights in a meaningful way.

2.3 The principle of self-administration is a correlate of the principle of self-help. It is, implicitly, contained in the definition of cooperatives. It is central to the afore-mentioned principle of participation and, as such, an efficient mechanism to regenerate social justice, which, in turn, is the central aspect of sustainable development.³⁴

The principle of self-administration meets a number of challenges. Firstly, and as cooperatives are part of the competitive enterprise world, the two structural elements of cooperatives – according to the definition cooperatives are associations of persons and enterprises – a balance must be struck between entrepreneurial efficiency and member control. In other words, a balance of power must be

struck between the powers of the management and the powers of the members. Secondly, a strict application of the principle of democracy (one member/one vote) might not be suitable for all cases. Plural voting rights, limited in amount, extent and not in proportion to the capital contribution, might have to be introduced. Thirdly, non-member stakeholders might have to be attributed limited control rights. Fourthly, the complexity of large (in terms of number of members), multipurpose, multi-stakeholder and hybrid cooperatives (see above) might require adjustments of the principle of self-administration.

2.4 The local bond principle is not contained in the definition of cooperatives. Some national laws do require in addition to commonly shared needs a bond between the members. Such requirement can be found for example for cooperative banks in Italy and Switzerland and for the credit and savings cooperatives of the WOCCU³⁵ type, especially in North America. These examples explain the function of this requirement. The bond is to complement legal rules with social control, the absence of which is one of the strongest *raison d'être* of law. In general, de-personalized relationships, which new communication technologies allow, entail a shift from collectivity to connectivity. Connectivity has yet to be matched with new control lines and new, solidarity regenerating mechanisms.

2.5 While the principle of multi-purpose cooperatives is not explicit in the definition of cooperatives, the definition allows for such cooperatives. Generally speaking, the evolution of cooperatives has been from such multi-purpose cooperatives to specialization. The reason has been, not the least, that diversity of purpose engenders negative risks and requires an increased degree of complexity as far as governance is concerned. The complexity of

³² Increased liability, limited to a multiple of the share for example or unlimited, and/or liability to further call or reserve liability.

³³ Especially in cooperatives with strong market linkages a quadruple information gap exacerbates the control risk, namely an information gap between the employees and the management (if any); between the management (if any) and the board of directors; between the board of directors and the supervisory council/committee (if any); and between the latter and the members who should be in control of the cooperative according to the definition of cooperatives and the 2nd ICA Principle.

³⁴ See Henry, Hagen, *Sustainable Development and Cooperative Law: Corporate Social Responsibility or Cooperative Social Responsibility?*, in: *International and Comparative Corporate Law Journal* Vol.10, Issue.3, 2013, 58-75.

³⁵ WOCCU stands for World Council of Credit Unions.

the new type of cooperatives mentioned under 2.3 will engender similar risks.

2.6 Raiffeisen's principle of cooperation among co-operatives corresponds with the 6th ICA Principle. The definition of cooperatives does not mention it explicitly. However, cooperation in the form of unionizing and federating can be seen as a (structural) element of primary cooperatives. It allows them to grow while respecting the 4th ICA Principle (Autonomy and independence), instead of jeopardizing it by concentration.³⁶

2.7 As far as the freedom of association (a human right) is respected, the Raiffeisen principle of voluntariness is implicit in the definition of cooperatives. It is a correlate of the principles of self-help, autonomy and independence.

Where the voluntary acquisition of membership includes the expectation that the members transact with the cooperative – that is the whole purpose of forming a cooperative –, the transformation of this expectation into a legally binding obligation leads regularly to scrutiny by competition authorities who, not knowing the cooperative principles, at times tend to interpret this obligation as contravening the rules of free competition.

III Conclusion

Raiffeisen was not a lawyer; he had no formal university education. And yet, his praxis, theorized in the Raiffeisen principles, had and continues to have an influence on the way we think cooperative law. There might not be hard proof of this. In the world of ideas this might not be required. *The* cooperative principles, shorthand for the content of the ICA Statement, have become a “measure” for cooperative law, a ‘point de repère’, independently of whether one shares the view that via their

inclusion in ILO R.193 they have become legally binding or not. The translation of the cooperative principles into law meets however two challenges. Firstly, setting cooperatives apart from other types of enterprises through law, i.e. to give their specific identity a legal form is becoming increasingly complex and, secondly, the bridge between the cooperative principles and cooperative law is yet to be constructed.

The complexity of setting cooperatives apart from other enterprise types is due to factors of substance and to factors of law-making. As concerns substance, two issues need addressing, namely the approximation of the features of cooperatives with those of capitalistic enterprises and the trend to empty the notion of law of its social element. While the long-lasting trend to approximate the legal features of cooperatives with those of capitalistic enterprises (companization of cooperatives through law) might come to an end by the factors of globalization, the measures proposed to enhance the capabilities of all enterprise types to contribute to sustainable development, namely juridicizing social and societal corporate responsibility and relating it to the governance structures of all enterprise types (convergence), make it even more difficult to set cooperatives apart from other types of enterprise, while, at the same time, defeating the set goal of sustainable development. The trend to empty the notion of law of its social element is inherent in the trend to privatize law in the sense of imagining it ever more, and only, in its private dimension as a right to something, to be guaranteed by the state. It runs counter to cooperative law,³⁷ which is to institutionalize solidarities. As concerns law-making, and as we move to globalized economies/ a global economy, the content of (national) cooperative law is ever more determined by regional, international and transnational law and by standards set by private entities (global law).

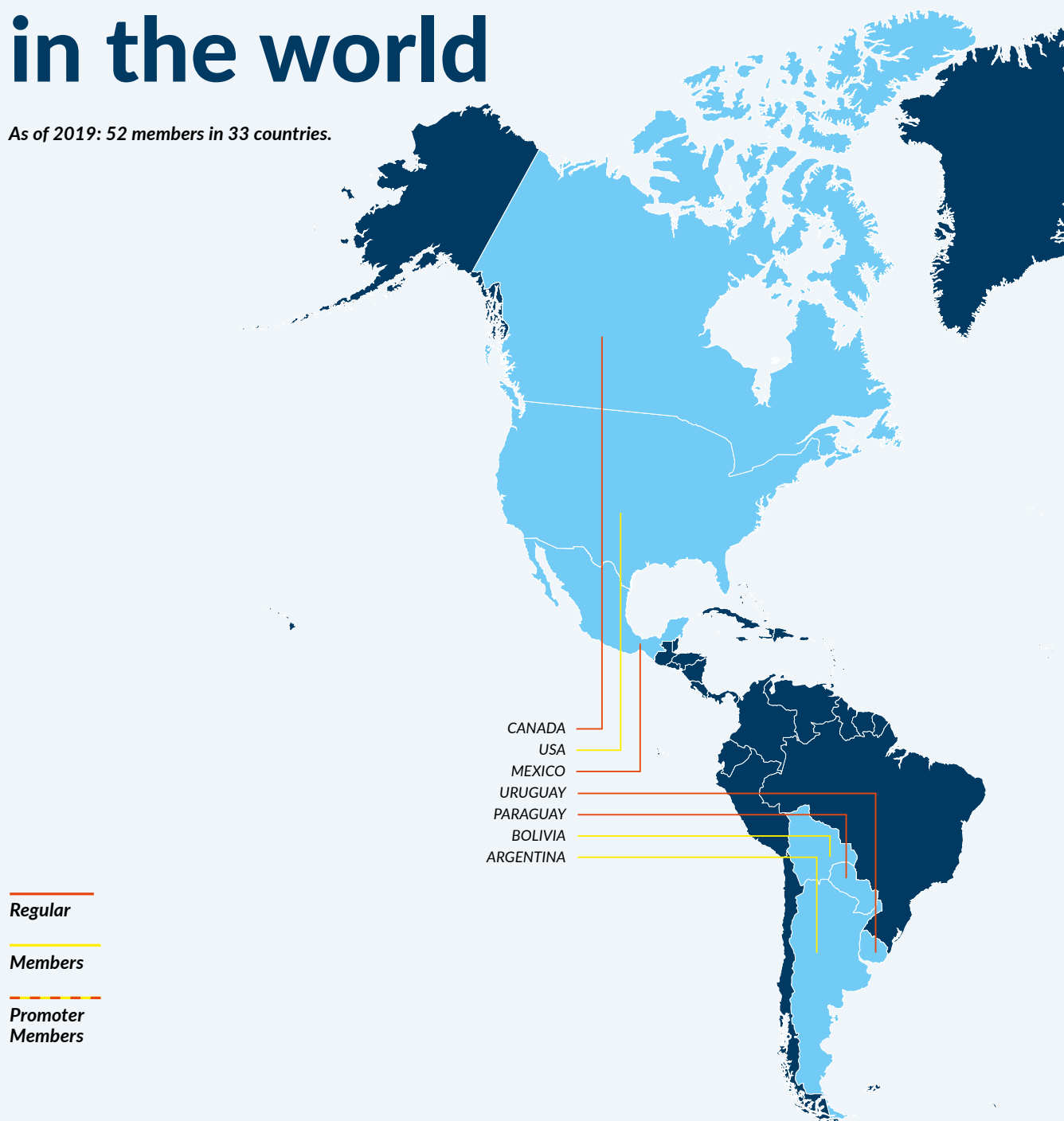
³⁶ For more details, see: Henry, Hagen, *Cooperation Among Cooperatives*, in: Gemma Fajardo, Antonio Fici, Hagen Henry, David Hiez, Deolinda Meira, Hans-H. Münkner and Ian Snaith (eds.), *Principles of European Cooperative Law. Principles, Commentaries and National Reports*, Cambridge et al.: intersentia 2017, 119-134.

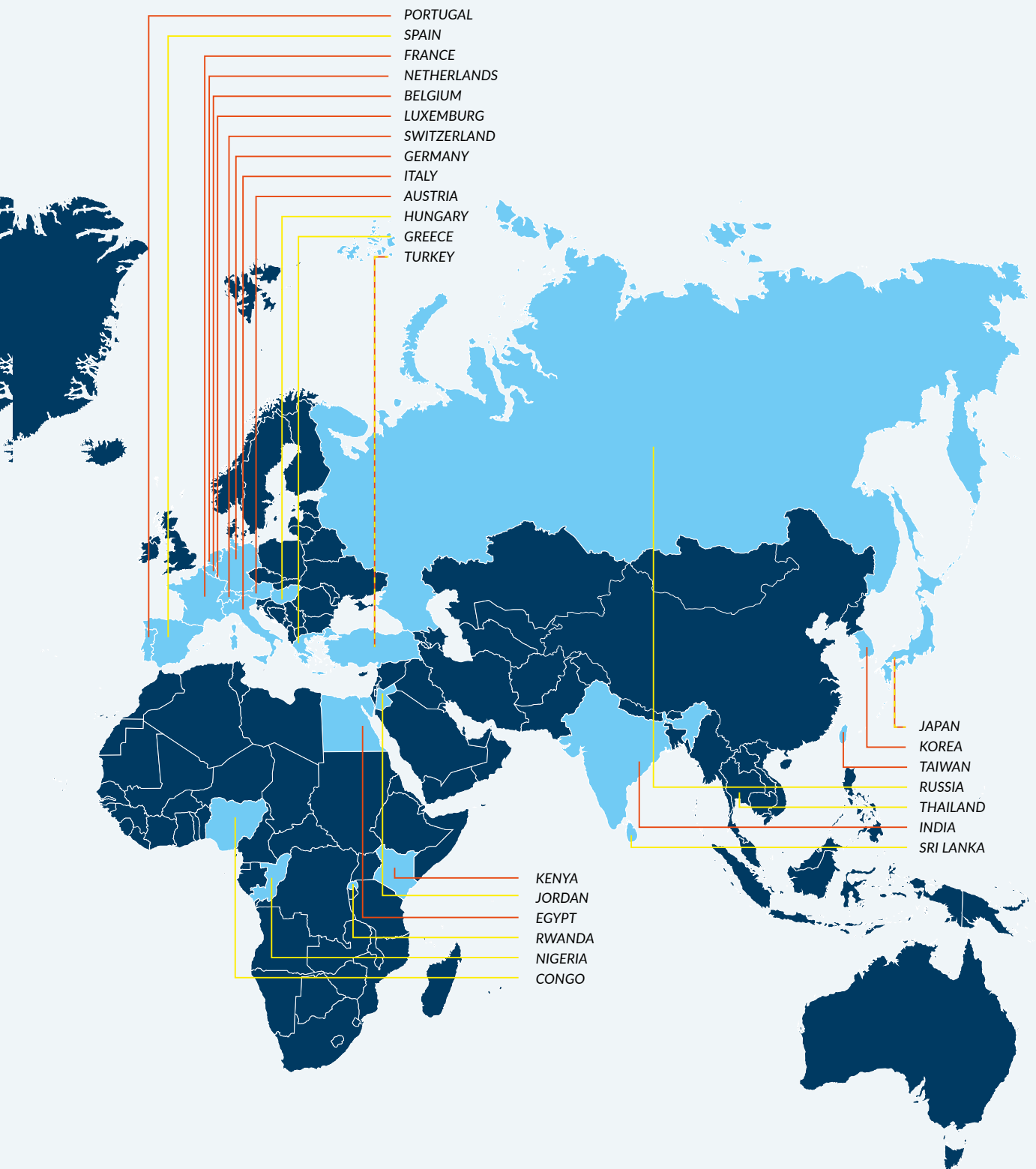
³⁷ See De Conto, Mario, *A hermenêutica dos direitos fundamentais nas relações cooperativo-comunitárias*. Tesis doctoral, Universidad do Vale do Rio dos Sinos- Unisinos, Sao Leopoldo/Brasil 2013; Mencke, op.cit.; Henry, Hagen, *Who Makes the Law? Parliaments, Governments, Courts or Others? Social Justice through Cooperatives at Stake*, in: *Ius Dicere in a Globalized World. A Comparative Overview, Volume One*, ed. by Chiara Antonia d'Alessandro and Claudia Marchese, *Studies in Law and Social Sciences* 3, Roma Tre Press 2018, 251-260.

The claim that “the bridge between the cooperative principles and cooperative law is yet to be constructed” refers to the need to untangle the conglomerate of general values and principles, the notions of values and principles as used in the main texts referred to here, i.e. the ICA Statement and the ILO R. 193, and then to integrate these clarified notions of cooperative principles via national, regional and international legal principles into legal rules (law).

The members of the IRU in the world

As of 2019: 52 members in 33 countries.







About IRU – International Raiffeisen Union e. V.

The IRU – International Raiffeisen Union is a worldwide voluntary association of national co-operative organizations whose work and ideas are based on Friedrich Wilhelm Raiffeisen's principles – self-help, self-responsibility and self-administration. IRU was founded in 1968 as a registered association in Neuwied/Germany on the occasion of the 150th anniversary of Friedrich Wilhelm Raiffeisen. Today, the organization has 52 members in 33 countries from all over the world and is head-quartered in Bonn/Germany.

In 2018, IRU celebrated its 50th anniversary with an international event at Fortress Ehrenbreitstein in Koblenz/Germany. In the following you can find some impressions of the jubilee event. We are very thankful for the commitment of our members and are looking forward to the next 50 years.





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