



**Desjardins**



NOTES FOR A SPEECH BY

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INTERNATIONAL CO-OPERATIVE ALLIANCE AND  
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ON THE OCCASION OF THE  
INTERNATIONAL CO-OPERATIVE ALLIANCE GENERAL ASSEMBLY

ORIENTATIONS AND RECOMMENDATIONS FROM THE  
ICA RESTRUCTURING WORKING GROUP [Status Report]

SINGAPORE, OCTOBER 19, 2007

[Actual speech may differ from the text below]

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Mr. President of ICA,

Dear Colleagues on the Board of Directors,

Dear Delegates, Cooperators, Friends,

Ladies and Gentlemen:

As our colleague, Gun-Britt Mårtensson, indicated, some months ago the ICA initiated an important review of ICA's governance. In the course of this undertaking, it became clear that it was important to attend to three aspects in particular: the organization of ICA's membership, the organization's structure, and the subscription formula. These issues are nothing new. For example, given the complexity and, we might say, the inefficiency of the current subscription formula, a number of attempts at reform have already been made: in 1976, in 1989 and, most recently, by the Regionalisation Working Group in 2005. Recent work by that group and by the Governance Working Group, along with work related to the strategic planning exercise, helped to clarify the issues and, from there, define a new approach for dealing with these questions, which are as complex as they are difficult. This has led to a proposal in Stockholm, in September 2006, to create the Restructuring Working Group, with the mandate to formulate recommendations on those three aspects and provide a report to the General Assembly in October 2007 in Singapore.

*[slide #2: Members]*

The first thing I want to do, of course, is introduce my colleagues on the Committee and thank them on my behalf, and on yours, for the energy, expertise and wisdom that they have brought to the task. The Committee members are:

Dame Pauline Green, Vice-President Europe,

Seah Kian Peng, for the Asia & Pacific region,

Ramón Zúñiga Imperial, for the Americas,

Elisabeth Aba Smith, for the African region,

Gun-Britt Mårtensson, of the Governance Working Group,

Bruno Roëlants, representing sectoral organizations,

Iain Macdonald, ICA Director General and

Hans Dahlberg, as external expert.

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What I am presenting to you today must be considered as a status report for two reasons. Firstly, the period between the creation of the Committee and today's meeting did not allow for enough time to conduct the broader, more comprehensive consultations which, it seems to us, are absolutely vital before any final decisions are made. Also, the validation of the new subscription formula requires

data and information on members not currently available at either the Central Office or the regional ICA offices.

First, I will present the recommendations on ICA's membership strategy and structure, *[slide #3]* some of which require amendments to the ICA statutes. There are also some that should be discussed in parallel with the new subscription formula. These recommendations are presented to you as general orientations. Along with your agreement in principle, they will then be the subject of a consultation among members, in particular in the form of legal texts that will be tabled for adoption at the next General Assembly.

Some of the other recommendations are the jurisdiction of the Board of Directors, who will decide upon their implementation at the opportune time.

One of the most important issues of course concerns the subscription formula. Although I will present the preferred model to you later in this presentation, I must point out that we do not wish to submit it for your final approval before simulations can be carried out. However, the data needed for those simulations belong, of course, to the members. We will therefore ask you today to collectively pledge your commitment to make this data available, to enable us to possibly present the simulation results to you when the consultations on the amendments to the ICA statutes are held.

That being said, I also would like you to know that each and every Recommendation, as well as the model chosen for the subscription formula, received unanimous support, not only from the Restructuring Working Group but also from the ICA Board of Directors. I am very happy about that.

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*[slide #4 – Recommendation 1]*

The first Recommendation is rather obvious, but still one which we must remind ourselves of. ICA is the guardian of cooperative values and principles. These values go beyond a strictly legal framework. We recommend that at the time a new member is accepted, the Board of Directors must make sure that, beyond being a cooperative on paper, the candidate organization must actually live and function as a cooperative.

*[slide #5: Recommendation 2]*

ICA must, in the same spirit, define its positions with respect to mutual organizations. Such organizations are not formally recognized by our statutes although some direct ICA members are mutuals and 2/3 of the members of the ICMIF, ICA's sectoral organization for the insurance sector, are mutuals. In several countries, the Cooperative Movement also includes and accepts mutuals. Other countries are still in the process of coming to a decision in that regard. Thus, the 2<sup>nd</sup> Recommendation provides for the creation of a special group to be focused on this issue, especially since discussions will no doubt need to take place with the mutuals.

*[slide #6: Recommendation 3]*

The third Recommendation defines the desired approach in terms of membership. For many years, the results of all our consultations have demonstrated the members' desire to build a strong ICA; an ICA where each of the components, whether global, regional or sectoral, can contribute to the strength of the organization as whole, that is to say to provide the added value sought by the members. Such a desire requires a structure that promotes a strong feeling of belonging to the entire organization, which brings us to the notion of "global membership." Today, ICA has three categories of members: "full" members, as we might call them, sectoral members and associate members. The sectoral members are members only of the ICA sectoral organization corresponding to their economic activity. Each of the sectoral organizations charges dues to its members. The whole system generates a multiplication of dues or fees with a tendency to make ICA into a rather loose organization where members choose their affiliation on an "à la carte" basis.

The thrust of this recommendation is to establish the vision of global membership, in other words, a vision where all would be members of ICA.

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Depending on their respective origin and economic activities, member organizations would choose to participate at the regional level, or in the relevant sectoral organization, or on a global level, or in any combination of the three. Under this approach, the various dues or fees would be grouped under one centrally paid subscription, which would be used to determine all the budgets for the central office, the regional offices and the sectoral organizations' secretariats.

Of course, a transition period would have to be defined to enable sectoral members to make the move to full member status. The subscription formula will need to ensure that this passage do not create too great an increase in the subscription fees paid by these sectoral members. Thus, it will be proposed that there be only two member categories: full members and associate members, only the former having voting rights.

*[slide #7: Recommendation 4]*

The next recommendation refers to the wording of the current statutes on member eligibility, with two modifications. First, the last point of the "members" category recognizes more clearly that individual cooperatives may become members of ICA. Our statutes provide for that already, but on an exceptional basis. Today, 28% of the full members of the ICA are individual cooperatives and they contribute one quarter of the revenues of ICA. It is therefore a question here of simply recognizing a situation that is already well established.

Another major modification concerns associate members. What we propose is to recognize the fact that a certain number of cooperative organizations are interested in joining the ranks of the ICA but hesitate to enrol as "full" members right away. Access to the status of associate member would make it possible for such organizations to participate in the ICA's activities on the regional level or in a sectoral organization for some time (2 or 3 years) before formally becoming full members. The associate member status could also be useful for sectoral members transitioning to full member status. These first 4 recommendations are certainly the most important of our orientations. Please keep in mind that they will be the subject of direct member consultations before you are asked to formally adopt them.

*[slide #8: Recommendation 5]*

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Recommendation # 5 appears to us to be a necessity. For one thing, recent studies by the Working Group have shed some light on the limited data available on cooperatives in general and on our members in particular. For another, the resounding success of the “Global 300” project was an excellent demonstration of the usefulness of collecting the relevant data to better express the size and strength of the cooperative world.

*[slide #9: Recommendation 6]*

Recommendation # 6 aims to better recognize the role and importance of Apex organizations in the life and structure of ICA. In this spirit, and as it is already doing, ICA will continue to recognize, support and promote operational arrangements existing between the Apex organizations and their members, to the full measure that such arrangements are compatible with the statutes. The purpose of such operational arrangements is often to facilitate dues collection.

*[slide #10: Recommendation 7]*

Recommendations 7 and 8 aim to re-establish a discipline in the management of subscriptions which, it must be recognized, has substantially given way over time. *[slide #11: Recommendation 8]* Also, a sub-committee of the Board of Directors should be mandated with all questions related to membership and to subscription management.

Recommendation # 9 *[slide #12: Recommendation 9]* underlines the importance for ICA to diversify its sources of income. Indeed, the new vision proposed for the Alliance needs to be supported by greater human and financial resources. This diversification would also make it possible to envision, in the end, real subscription reductions for members. Also, we propose that it would be useful to study the possibility of setting up a foundation that would enable us to gather certain sums that otherwise would not be accessible to ICA.

With respect specifically to ICA’s organizational structure, the Working Group does not propose any spectacular change, as it allows for the setting up of the required conditions for the renewal wished for by all; this is the gist of Recommendation 10. *[slide #13: Recommendations 10 and 11]*

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The eleventh Recommendation, however, proposes that we study the possibility for ICA to change its status from that of a not-for-profit organization to a true cooperative insofar as Swiss law would allow it, and that this be done while respecting its structure and democratic organization. *[slide #14: Recommendation 12]* We do not propose any changes to the number or structure of the ICA regions, as stated in Recommendation 12.

However, with respect to the democratic structure, Recommendation 13 *[slide #15: Recommendation 13]* aims to recognize the contribution of the ICA sectoral organizations and therefore make it possible for them to have a voice on the Board. These organizations are an integral part of ICA and it is normal that they should be able to contribute to defining ICA's strategic orientations and take part in the renewal of ICA. As indicated, 2 seats would be added to the Board of Directors for representatives that would be chosen by the sectoral organizations.

Recommendations 14, 15, 16 and 17 *[slides #16, 17, 18 and 19: Recommendations 14, 15, 16 and 17]* provide that the ICA sectoral organizations, thematic and other committees carry out a strategic review, and that a report be made to the Board of Directors. There would be two objectives to this approach. The first is to do a SWOT analysis, listing the strengths, weaknesses, opportunities and threats specific to each of the entities, while seeking possible synergies to strengthen the entire organization. The second is to promote the alignment of the working programs of each entity with the major orientations of the strategic plan. An evaluation of the budgets required to implement the strategic plan at all levels of the organization should be carried out, and it is asked that the Director General reinforce the coordination of synergies among ICA structures for greater operational efficiency.

Recommendation 18 *[slide #20: Recommendation 18]* proposes to establish a distinction between the Board committees and working groups. The Board committees are, by definition, reserved for the members of the Board. Committees are devoted to internal ICA issues such as governance, membership, audit & risk control and human resources. These committees would be able to call on expert advice when necessary. Working groups deal with matters common to all or part of the cooperative movement. These working groups would be created by the Board, the composition would be very open, they would report to the Board and they would be of a temporary nature.

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Finally, in keeping with the logic of a global membership approach and while respecting the principles of democracy, Recommendation 19 *[slide #21: Recommendations 19 et 20]* provides that the right to vote for the thematic committees and sectoral organizations created by ICA would be abolished. Also, Recommendation 20 *[slide #21: Recommendation 20]* proposes that the Governance Working Group review in a more general fashion the voting system in ICA. Finally, Recommendation 22 *[slide #22: Recommendation 22]* proposes that the same working group formulate recommendations so that the statutes of ICA's regional and sectoral entities, as well as the terminology used, be better harmonized.

So that covers the orientations and recommendations concerning ICA's membership and structure.

The third part of the Restructuring Working Group's mandate concerns the subscription formula. *[slide #23]* This matter of the subscription formula is as complex as it is strategic.

As you know, the current subscription formula is made up of a set of sub-formulas that use economic performance data from direct members and from members that are affiliated to them. It requires such a high level of technical data, support documents and administrative efforts, that its application has become steadily more difficult. Thus, for example, in 2006, of the 145 ICA members that are organizations that include and represent cooperatives from many sectors of activity, only 45 have paid a subscription higher than 5,500 Swiss francs. In fact, more than half of the dues income for the Alliance in 2006 came from the generous contributions of only 17 members out of a total of 220 members. It is clear that the subscription formula no longer works.

The ICA is an extremely diversified organization. It includes cooperatives of all sizes, active in many different sectors and present in 85 different countries.

*[slide #24 ]*

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Basically, two elements must be sought and reconciled for the subscription formula: simplicity and fairness. However, a perfectly simple formula could not take into account size, economic performance, the wealth of the country or the specificity of an economic sector of the member organization. Such a formula would be very unfair. On the other hand, for a formula to be perfectly fair, it would have to give up any designs on simplicity. Financial and geopolitical data, along with intersectoral comparability, would make it so complex as to be impossible to apply. That is, in fact, the case with our current formula.

Therefore, the exercise here is to seek a reasonable compromise and balance between simplicity and fairness.

Throughout the year, the Working Group studied a number of contribution models: a national contribution set for each cooperative movement, a fixed contribution per type of organization and by sector of activity, among many others. Preliminary simulations have shown that none were satisfactory.

Finally, following a suggestion from our European colleagues, this preliminary proposal we are making today combines both simplicity and fairness.

It is based on three parameters.

First, a base fee that is equal for all ICA members. *[slide #25]* In the example you will see, the base fee is set arbitrarily at 4,000 CHF. It could be a different amount.

Second, establish a criterion that takes into account the relative size of the organizations. Experience shows here that economic or financial criteria are of little help. It is wishful thinking to believe that viable data regarding the business volume, profits, premiums paid or housing units built can be collected for the entire cooperative world with any kind of efficiency.

However, a rational criterion must be identified. As Cooperatives Europe so wisely stated: “Cooperatives are enterprises that are based on individuals and that rely essentially on their membership. Our members are the assets we hold most dear.” The number of individual members is certainly the easiest data to collect. It involves no complexity related to currency conversion or proper interpretation of

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financial results. It is, in addition, a good indicator that makes it possible to follow and measure the relative strength of the cooperative movement over time. We therefore propose that a classification of members based either on their own number of individual members or on the aggregated number of individual cooperators represented by their respective affiliated members. A multiplying factor would be associated to each category. Thus, for example, an organization with between 500,000 and 2 million members would see its base contribution multiplied by 2, while an organization with more than 10 million members would see its base fee multiplied by 11.

Third, a factor would be introduced to take into account the relative degree of wealth. The World Bank actually classifies the countries of the world into four categories depending on their overall level of income. The list is called the “World Bank Country Income Index”. A multiplying factor would be associated to each of these categories. For example, a member from a country whose “World Bank Country Income Index” is categorized as “low” could be subject to a multiplying factor of 0.5, while a country in the “high” category could be subject to a multiplying factor of 4. The associate member category could be subject to a set fee, weighted according to the same World Bank index.

In addition, the following principles could also be applied. *[slide #26]*

1. The calculation of the numbers of individual members would include all individual co-operators affiliated to an Apex’ respective direct members, as per the current formula.
2. For countries where ICA has an Apex member and direct members that are also affiliated to that Apex, the formula would be first applied to these organizations other than the national multisectoral Apex. Secondly, when calculating the dues for the multisectoral Apex, the individual members already accounted for, would be excluded from the calculation for that Apex.
3. A maximum contribution limit per country would be established. It could be, for example, 275,000 CHF.

*[slide #27]*

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We carried out a number of simulations that seemed to show the viability of this formula. However, these simulations need to be considered as preliminary due to the variable dependability of the data on the numbers of individual members of the members of ICA. These preliminary results do not show any perverse effects or obvious aberrations. The results show in particular that counting the number of individual members and using the World Bank index are good ways of taking into account the size of the organization and level of wealth. That being said, the model is of course not perfect. It is impossible to create an absolutely perfect subscription formula.

It is essential to carry out further simulations using all data for all our members, in order to validate the results and to identify the best formula. In this regard, the proposed model is remarkably flexible. The value of the base fee can be changed. The number and scope of the classification scales established according to the number of members can be reduced or increased. The multipliers assigned to these categories, like those associated to the World Bank indices can also be modified. Following additional simulations, a specific formula will be determined and will be the subject of a formal consultation before being submitted to you for final approval. We would also propose a few years' transition period to iron out any difficulties and allow members to get used to the new system.

In conclusion, dear friends, it seems to me that the Alliance is now writing a new page in its long history. A new vision of your organization is proposed here for you. It is an ambitious vision that is resolutely turned towards satisfying the needs of cooperatives that are confronted with the demands of globalization. Exciting projects filled with promise for the future, such as the Global 300, have enhanced, on a world scale, the notoriety of the cooperative model. The new strategic plan, which provides a set of strategic orientations that is common to all ICA structures, will contribute to reinforcing the actions of the organization. As member of the ICA Board, I can testify to the changes that are being carried out in the organization. On the strength of the work carried out to fortify itself both structurally and in terms of its governance, the Alliance is now more than ever turned towards the future. It is better equipped and ready to concentrate on its primary mission: service to members.

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A majority of you, indeed, in your responses to the survey carried out by the Governance Working Group, asked for a strong ICA. Now, that presupposes strong support from the members. The strengthening of the Alliance relies on your participation in its activities and in the exchange of know-how and expertise, on your financial support and on your commitment to provide the data that will be asked of you in the weeks following the Assembly. In a nutshell, ICA's relevance will only be as good as the level of commitment and loyalty demonstrated in the coming months by each and every one of its members.

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At this stage, I would simply ask you to give the go-ahead to these orientations and to the dues' model that I have summarized for you here, in order to authorize us to continue this work and carry out a direct consultation with members. After that, as proposed by the Board, a special General Assembly will be held at the end of May or beginning of June 2008 to allow members to formally approve our proposals.

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Thank you for your attention.

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