Full List of the Matters highlighted 'for future consideration' in the 2015 ICA Guidance Notes on Cooperative Principles

I. Principle 1 – Voluntary and Open Membership
Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Trade with Non Members

the scale of non-member trade needs to be discussed in co-operatives that provide members with services and also trade with non-members. While improving the co-operative economy through non-member trade is acceptable, if non-member trade exceeds trading with members, the reasons for it should be examined, in particular whether the co-operative is applying this 1st Principle of open and voluntary membership in practice. If users of a co-operative's services are choosing not to become members, new approaches should be adopted to encourage them to become members. In accordance with Principle 5, co-operatives should educate people on the benefits of membership and develop exclusive advantages for members.

Similarly, if members are not users of a co-operative's services, the reasons for them not being users should be analysed and their right to remain members should be considered.

Maintaining the 1st Principle in larger cooperative groups

How do larger more complex groups, which may include other businesses as subsidiaries and trade with non-members, maintain the principle of open and voluntary membership? While such co-operatives have freedom of choice as to how this 1st Principle is applied, they need to consider how to account openly to their users and stakeholders for their application of the open membership and non-discriminatory provisions of this this 1st Principle.

II. Principle 2 – Democratic Member Control
Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Democratic governance in larger cooperative groups and multistakeholder cooperatives

There is great diversity in the size and nature of co-operatives. the emergence of multi- stakeholder primary co-operatives at the beginning of the 21st century with more than one membership group, such as consumers, employees, independent entrepreneurs and corporate (legal) persons as stakeholders, present new democratic challenges for their members. these co-operatives, which are not permitted in some national legislative systems, require specific arrangements in their rules or bylaws appropriate to their particular nature and function in order to apply this 2nd Principle of Democratic Member Control. In such co-operatives different relative weightings or proportions in voting rights may be appropriate for different categories of members.

Large and diverse co-operatives may inevitably need to consider, adapt and apply new structures for member democratic control in a way that is appropriate to the scale and structure of their co-operative. Whatever structures are created, there is a need to ensure that the essence of this 2nd Principle is respected. Without real and effective democratic member control an essential generic characteristic of our co-operative identity will be lost.

Similar democratic challenges arise in the multi-tiered democratic structures that have emerged in larger co-operatives. A key question is how do such large and complex co-operatives ensure that the democratic rights of all members to take part in board elections and influence strategic business decisions are protected and respected?

Some larger co-operatives with financial capacity have bought former investor-owned companies and are running them as subsidiaries, some in countries other than that in which the co-operative operates. this too raises challenges and questions about the maintenance of democratic member control and whether customers and/or employees of such subsidiaries should be enabled to be members.

Maximum length of term-limits

there is no definite guidance on the maximum length of time a member may serve on an elected board or committee or in a particular elected position, save that setting maximum term limits for elected representatives is good governance practice. Some governance codes set term limits of three years before a representative must stand for re-election, with a maximum term limit of nine years. others, including the Alliance, have longer maximum term limits: the longest term a person elected may serve on the Alliance board is 18 years. National co-operative apex organisations may wish to set term limits in their own codes of governance and the Alliance may wish to issue further guidance on this matter in due course after consultation with members.

III. Principle 3 – Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Admission of public authorities to membership

Consideration should be given, in some types of co-operative particularly those which have wider public benefit objectives, or are based on assets transferred from the public sector, to permit admission into corporate membership national, regional, and local public authorities. the contribution made by these authorities should come from purchasing specific shares of amounts higher than those of individual co-operative members; indeed their financial contributions can be uncapped. Where this is permitted, the creation of a specific category of membership for public authorities will be advisable. this category of membership should not hold a blocking minority of voting rights: the challenge is how to balance the power of this category of member with that of a co-operative's other members and without compromising the independence and autonomy of the co-operative, which must be respected.

Positioning of cooperatives in national and local tax regimes

Co-operatives promote the economic and social development of their members and the development of co-operatives and other socially responsible economic actors in the fabric of local economies. Many do so without aiming to make a financial profit, but aiming instead to develop and strengthen local economies for the benefit of their members and the wider community.

the economic and social contribution of co-operatives to a local or regional economy is a social impact contribution benefitting the community and civil society. Co-operatives making such a contribution can be described as "managing common-wealth" to benefit the local community, its economy and society.

Where this contribution is a dedicated objective and purpose of co-operatives, it is appropriate for it to be recognised by the public authorities by awarding them specific legal and tax treatment that recognise their wider contribution to tackling wealth inequality. this issue is worthy of discussion with national governments.

Cooperatives and equity capital investors

Some large well established co-operatives have raised additional capital by issuing equity shares to external non-member investors, which are listed and traded on stock markets. financial co-operatives which regulators require to increase their capital adequacy ratio to total risk-weighted assets may also need to seek equity capital investment as part of resolution plans to meet regulatory requirements. these arrangements create what, in effect, are hybrid co-operatives that merge two organisational models; a co-operative and investor ownership. Creating these hybrid co-operative/equity investor businesses challenges co-operatives to do so in a way that retains the key generic characteristics of a co-operative specified in the Statement on the Co-operative Identity and detailed in the 1st, 2nd, 3rd and 4th Co-operative Principles. Consideration also needs to be given to, what, if any, are to be the voting rights of non-member equity shareholders and what caps and other controls are to be placed on them to ensure that equity investors do not usurp the democratic control of co-operative members. these are challenging issues but not insurmountable.[6]

Cooperatives as owners of commercial business

Some successful co-operatives have purchased commercial investor-owned business enterprises, some in other countries, and integrated them into group business structures. the motivation for doing this varies, but on occasions it has simply been to gain the profits these commercial business create and increase surpluses for the benefit of members. this raises a number of significant ethical issues for co-operatives. the Alliance may wish to issue guidance on this matter in due course.

Accounting treatment of capital and indivisible reserves

Co-operatives need to continue to press for the consistent global accounting treatment of members' share capital and indivisible reserves to be treated as part of a co-operative's equity capital, not as a liability because this capital can absorb a co-operative's losses. In order to achieve this and strengthen the co-operative, co-operatives must ensure that members' share capital and indivisible reserves cannot be subject to any risk of distribution to current co-operative members. Indivisibility must remain the rule to prevent any appropriation or drift in the task of achieving this global accounting treatment.

Challenges of meeting regulatory requirements

Co-operatives face the challenge of meeting regulatory requirements imposed on them because of the lack of understanding of the nature and essence of a co-operative business that is different to the investor/capital owned joint stock company, which is the standard business model taught in business schools and most economic texts. there is a need to develop greater understanding among governments and regulatory bodies of the co-operative form of business enterprise, its place in the modern economy and its capacity to be economically, culturally and socially transformational when they are able to-operate within an appropriate legal and regulatory regime.

IV. Principle 4 - Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Non-user and investor members

Co-operatives that accept non-user members or investor-members create a potential risk to a co-operative's autonomy and independence in addition to risking breaching the 3rd Principle of "limited compensation on capital subscribed as a condition of membership". this risk arises because such members inevitably will not have the same commitment to the long-term sustainable autonomy and independence of the co-operative as user- members have. this is particularly the case where non-user or investor-members are granted voting rights in a co-operative's general assembly or rights to appoint nominees to the board. As stated in the Guidance Note to the 3rd Principle, such arrangements may also create problems with regulators who may see the admission of investor-members as circumventing investment regulations designed to protect all investors. Co-operatives need carefully to consider the threat to their autonomy and independence and the risk of regulatory non-compliance before agreeing to such arrangements.

V. Principle 5 - Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative. they inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.

Effective Use of Cooperative Heritage

An important theme running through co-operative education programmes is the effective use of co-operative heritage to inform and inspire today's and tomorrow's co-operators. the stories of how co-operators faced serious challenges and overcame them are one of the greatest educational resources available. It places a responsibility on all co-operatives: a responsibility to cherish and safeguard their heritage and to use it effectively in their learning programmes. the Stories.coop website is an example of how contemporary stories can be made easily available. Similarly, technology is now enabling heritage items to become more readily accessible. the pioneering work of the Co-operative heritage trust in the UK in safeguarding co-operative heritage is an exemplar of good practice that could easily be replicated and become a cornerstone of co-operative education.

Cooperative Education in National Curricula

A current challenge facing co-operative education is how to cope with the low recognition in curricula in elementary and secondary schools and universities. there exist some best practices as showcased in the good practice examples given in this guidance note, but co-operatives are rarely taught in mainstream business schools, law schools, sociology and other relevant areas of study. this problem needs to be addressed by co-operatives.

Supporting cooperative education in emerging economies

The United Nations sees the development of the co-operative economy in Africa as vital to eliminating hunger, improving healthcare, tackling poverty and achieving the UN's sustainable development goals. Co-operative education is essential in order to realise the potential of co-operatives in Africa and other developing economies as a means of achieving the UN's sustainable development goals. the global co-operative movement should consider how best it can support the educational needs of co-operatives in east Africa and other emergent economies.

the continuing significance of specialist co-operative education and training providers, such as co-operative colleges and departments of co-operation within higher education institutions needs to be considered and recognised. building stronger networks and consortia between co-operatives and specialist higher education institutes and facilitating greater collaboration between them is vital for the global future of co-operative education.

the development of specific programmes for members and managers of co-operatives, such as master's degrees in co-operative business administration, is also to be encouraged.

The Importance of Academic Research

It is also vital to recognise the importance of co-operative education, training and information being informed by robust and detailed academic research and that academic research is supported by the Alliance and its members. the Alliance's Committee on Co-operative research fosters and sustains links between co-operative movements in member countries and higher education institutions in the field of research collaboration. the global co-operative movement needs to value and consider how to encourage and enhance this research collaboration.

Open Source sharing of knowledge and life-long learning

At the same time co-operative education has to look to the future: it should embrace a knowledge-based society that generates, processes, shares and makes generally available all knowledge, on an open-source basis, and which encourages life-long learning to improve the human condition. the contribution that co-operative education can make to building a culture of civic participation and solidarity and as a tool for social transformation should be considered and developed.

Information Technologies and Big Data

the idea of the present-day knowledge-based society is founded on the vast increase in data creation and information dissemination that results from the information technologies. In a knowledge-based society, education is not restricted to school or higher education institutions. the advent of information and communication technologies (ICt) allows learners to seek information and develop knowledge at any time and in any place where access is available and unrestricted. In these circumstances, the skill of 'learning to learn' is one of the most important tools to help people acquire formal and informal education. In such circumstances, the ability to locate, classify and sort information is essential. equipped with this skill, the use of ICt becomes integral to literacy and life-long learning.

A new need also arises from 'big data'; the data about us that others collect and use through our use of more electronic devices which communicate via the internet and use internet services. how can co-operatives access and regain control over this data and use it to further develop the co-operative enterprise sector of the global economy?

Improving public understanding of the scale and significance of cooperative enterprise

It is evident, from the lack of wider public understanding of the scale and global economic impact of co-operative enterprise that more needs to be done to educate the general public and opinion leaders through the publication of co-operative economic data and employment statistics. every day the value and performance of investor-owned businesses are published online by stock markets and in newspaper reports. As evidenced by the study "Co-operatives and employment – a Global report"[2], co-operative employment statistics still lag far behind those of other enterprise sectors, but can be used strongly in advocacy for co-operatives when lobbying governments and international organisations. the fact that co-operatives are a major part of the global economy, helping to improve the living standards of half the world's population,[3] goes unnoticed. for example, there s no known co-operative enterprise registered in a tax haven to avoid paying tax in the country in which it generates its surplus or profit. this is not perceived or recognised by the public or politicians as one of the benefits of co-operative enterprise. the challenge of how the co-operative movement addresses this fundamental gap in public understanding needs to be grasped. this challenge was recognised in the 2014 Co-operatives of the Americas Declaration of Cartagena, which said that: "one of the main barriers faced by co-operatives in the Americas is increasing the awareness of their social and economic impact".

VI. Principle 6 - Cooperation among Cooperatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

Future Challenges

- balancing dialogue with action: not meeting with other co-operatives in regional, sectoral or national structures simply to talk to each other, but planning and taking action to advance the co-operative economy to mutual advantage. Passive participation in inter-co-operative structures can drain energy and have a negative impact on others.
- effective power sharing: larger or better resourced co-operatives will need to ensure that their size and influence does not dominate and dictate debate and action, but that they enable smaller co-operatives to participate effectively in control and decision making in inter-co-operative organisations.
- transcending barriers: barriers such as geographical location, language, political and religious divisions, disparities in organisational size and scope must be addressed and overcome to ensure effective debate and action.
- Working across sectors: different co-operative business sectors have different histories and cultures which need to be understood and valued if common action is to be taken.
- Awareness building: ensuring that co-operatives are aware of each other's nature, differences and the social and economic challenges they face.
- effective communication: maintaining regular and effective communication with other co-operatives is always a challenge when members and managers are faced with the day-to-day pressures of running a co-operative business.
- Developing a shared sense of purpose: the priorities of one co-operative or one sector of co-operative enterprise may not be the same as that of others.
- Periodic assessment of the application of the 6th Principle: co-operatives need to commit adequate resources to achieve social and economic benefits from co-operation among co-operatives. they also need periodically to review the application of this 6th Principle and challenge their engagement to ensure that it is effective.
- Developing effective global co-operative trade: the international co-operative movement is challenged by the absence of globally-driven inter-co-operative trade. Consideration should be given to developing such trade under global co-operative trading agreements or partnership arrangements.
- Developing effective global co-operative banking facilities and insurance arrangements: the global co-operative movement should consider it necessary and desirable to establish an international co-operative bank and insurance organisation. Such an international co-operative bank and insurance co-operative, driven by the Co-operative values and Principles, could service global inter-co-operative trade and business.

VII. Principle 7 – Concern for Community
Co-operatives work for the sustainable development of their communities through policies approved by their members

Publicizing the challenges of sustainable development

Co-operatives have a special responsibility to alert their members and the public to the challenges of sustainable development locally and globally and contributing to the efforts to promote it in an effective way. the Alliance's "blueprint for a Co-operative Decade" sets out "sustainability" as one of the priorities to be addressed in the years to come. It states that:

"Co-operatives have always set out to enable people to have access to goods and services without exploitation. this has meant trading in accordance with a set of values based on what we would today call sustainability. by placing human need at their center, co-operatives respond to today's crises of sustainability and deliver a distinctive form of 'shared value'. Quite simply, a co-operative is a collective pursuit of sustainability. Co-operatives seek to 'optimise' outcomes for a range of stakeholders, without seeking to 'maximise' the benefit for any single stakeholder. building economic, social and environmental sustainability should therefore be one of the over-arching motivations and justifications for a growing co-operative sector. It offers an answer to the question of why co-operatives are necessary and beneficial, at this historical juncture.

Setting goals of sustainable development

The blueprint also sets goals for attaining sustainability in the three areas of economic, social and environmental sustainability and indicates how these goals might be achieved by possible or indicative actions. Co-operatives are encouraged to give consideration to all the blueprint's recommendations that, when implemented, will ensure that the Alliance's vision is achieved "for the co-operative form of business, by 2020, to become the acknowledged leader in economic, social and environmental sustainability, the model preferred by people, and the fastest growing form of enterprise". building from the local base, co-operatives can support not just wider policies on sustainability issues but also practical support for practical sustainable development projects both locally and through international development projects.

The gravity of global environment problems

the concern of co-operatives to address the increasing gravity of global environmental problems was shown during debates at the Alliance's General Assembly in Cancun, Mexico in 2011, as were positive exemplar actions by co-operatives regionally and globally to tackle threats to the global environment such as global warming, carbon emissions, use of pesticides, and destruction of rain forests. this engagement with global environmental issues is appropriate and to be encouraged but needs to be matched with local environmental actions. for example, concern for climate change should lead to a commitment by all co-operatives to audit their carbon emissions and seek to reduce dependence on fossil fuels. Also, any co-operative concerned about climate change and the destruction of rainforests needs to act locally too by ensuring that all timber used in construction and maintenance is certified as being sourced from sustainably managed forests.

Access to healthcare and other essential services

Access to health care and medical services is not the only aspect of global health promotion. Access to clean water, sanitation services, electricity for food refrigeration, and decent housing that is safe, secure and pest free is also vital for human health. Concern for community and the contribution co-operatives can make to wider civil society through supporting the attainment of the United Nations Sustainable Development Goals will also be important in the future.

Open source IT Software

Co-operatives should consider how best to support the development and use of open source It software to ensure that software that meets the needs of co-operatives is available to them at reasonable cost. this is particularly important for banking and insurance co-operatives and credit unions in emerging economies, but also for other co-operative sectors too.

Collaboration with other organizations

Co-operatives alone cannot attain the goal of the sustainable development of their communities; they have to enter into agreements with and collaborate with other organisations, including governments. Such collaboration is indispensable given the huge global challenges of achieving the UN's Sustainable Development Goals. Co-operatives need to collaborate with community organisations, private companies, volunteer groups, charities, and local, regional and national governments. In doing so they need to consider how to ensure that they can engage in collaborative ventures that promote sustainable development in accordance with the 4th Principle; that is, freely and on terms which ensure democratic control by their members is preserved, and that their co-operative's autonomy and independence is maintained.

Promoting global peace and social cohesion

Co-operatives have always played a significant role in promoting global peace and social cohesion. Application of the Co-operative values and Principles by co-operatives create a unique capacity to contribute to global peace and prosperity. All co-operatives should give consideration to the contribution they can make in their local communities and beyond to peace, social solidarity, social justice, and prosperity for all.

Helping to build civil society

All co-operatives should consider and develop the capacity they have to make a significant contribution to building civil society by the successful application of this 7th Principle. they do so by contributing to the sustainable development of their local communities and, more widely, to the sustainable development of the national, regional and global communities of which they are part. engaging members from local communities in co-operative enterprises creates new, engaged and responsible activists who drive the development of the co-operative movement forward into the future but who also, in a tradition that reaches back to the founders of this great global co-operative movement, become engaged in a much wider range of progressive organisations. Co-operatives have always made, and continue to make, a major contribution to the progress of civil society and democratic renewal.