



International Co-operative Alliance



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RABOBANK ANNUAL DUISENBERG LECTURE

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Thank you very much Piet for the introduction and for the invitation to give this lecture in commemoration of Wim Duisenberg.

I am particularly honoured as I had the pleasure of working with Wim Duisenberg during the months leading up to the launch of the Euro, and especially during the political struggles that led to his appointment as the first President of the European Central Bank. As most of us who have been engaged in the politics of Europe know, all serious new initiatives tend to emerge from an intense period of political tension, indeed sometimes a full-blown crisis! The Euro of course was no exception and as recent events have shown – not much has changed! In 1998 I was the Leader of the largest political group in the European Parliament, and strongly supported Wim Duisenberg's candidacy. I have vivid memories of our long discussions about the issues that would be raised by the newly empowered Parliament at his forthcoming public hearing – and was delighted when he sailed through the process.

It is also a great pleasure to be working with Rabobank one of the most strategic and powerful co-operative businesses in the world, and one which the International Co-operative Alliance regards as a major contributor to, and key partner in the growth of the co-operative sector of the global economy.

I want today to use as background for my comments, the rich gift that our global movement has been given by the decision of the United Nations to nominate 2012 as the International Year of Co-operatives. You may well think that International Years come and go – so what!

But this particular International Year is heightened, and the co-operative opportunity is all the greater, given the present state of the global economy, the shift in economic and political power from West to East and North to South that is turning the global status quo on its head, and the crucial environmental, food,

energy and social turbulence which sits alongside. In all of this, we cannot forget the growing tension in the relationship between those controlling information technology, and the challenges to that control coming from people on the ground across the world. These in a nutshell are the issues that will dominate the next two decades and beyond.

My contention is that if used properly, the co-operative model of business can play a part in solving some of these problems.

So, what I would like to try and do is look briefly at the contribution that the co-operative movement is currently making to the global economy, outline the capacity it has to do more, and conclude with the steps that are needed if we are to help deliver on the reconstruction of a more sustainable, fairer and better balanced global economy.

Let me be clear, when we as co-operators talk of sustainability, we are not simply talking about the need for economic growth based on the recognition of the needs of the good health of the planet, rather we see sustainability as a wider set of important indicators – of course, the fundamental need to find a way of securing the health and wellbeing of our planet for future generations, but also the embedding of sound human relationships – both economic and social, the reduction of poverty, the good governance of business, the evolution of local and national structures free from despotism and corruption - all of these based on participation and engagement with wider society.

Those of you who have some knowledge of the co-operative model of business will know that what I have described mirrors closely the ‘Co-operative Statement of Identity’, that has been recognised by the United Nations; is a crucial element of the International Labour Organisation Recommendation 193 on the Promotion of Co-operatives; and is now widely transcribed into national legislation for co-operatives across the world.

The Statement contains the seven principles that categorise our business model and are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation Amongst Co-operatives
7. Concern for the Community

Today, the global co-operative movement consists of hundreds and hundreds of thousands of businesses with a reach into every corner of the world. Can I tell you exactly how many? No. Why? Because each co-operative business is inherently a sovereign, autonomous, business that has grown amoeba-like according to local needs, local culture and local demands. And, crucially of course, in most countries, co-operatives are not separately categorised as a part of the national economy.

What I can tell you is that the world's largest 300 co-operative businesses are worth US \$1.6 trillion. You will know that this is equivalent to the 9th or 10th largest economy in the world, and, if you will allow me to be flippant for a moment, puts us comfortably in the G20! – and yet interestingly, not one of our businesses takes part in the B20, the business group that advises the G20!

Those 300 businesses operate in some of the most competitive industries in the world, banking, insurance, agriculture, retail, housing, health, energy and others, and the 300 list includes co-operatives from 25 different countries.

But, of course, co-operatives are not just about the strength of the bank balance, they are a business model that puts people at the centre of their economic decision-making.

Nowhere is that better reflected than in the powerful words of the Background paper for the United Nations World Summit on Social Development:

‘Co-operatives contribute directly to improve the standards of living of half the world’s population.’

So the ICA also tracks the human significance of those co-operatives around the world for which we do have statistics.

I can tell you that at this moment, **co-operative businesses around the world are owned by nearly one billion people.** And that for nearly 200 years, co-operatives have been creating jobs across the world – **currently over 100 million of the world’s citizens are employed within a co-operative.**

Whilst a traditional company or corporation is duty bound by constitution to maximise return to shareholders, co-operatives are duty bound to give a good deal to members. **The distinction between the two business models is crystal clear.** A co-operative does not need to constantly look over its shoulder at the stock markets or at investor pressure, nor does it have the sole need to maximise returns to shareholders. We do, of course, need to make a surplus (or profit), its what we do with those surpluses that makes us different. We reinvest in our co-operatives of course, make an economic return to our members, and invest in the local communities from whence we came – our triple bottom line.

The social agenda which is baked into the DNA of all co-operatives and is a core element of our principles, has meant that for nearly two centuries we have been helping to reduce conflict, build community cohesion, grow skills and expertise, develop local leadership potential, support women into positions of economic activity and leadership in their communities – we have been building civil society - all with the intellectual underpinning of the value of common endeavour in sustainable member-owned, local enterprises

In effect co-operatives have taken millions out of poverty with dignity, by helping them to build their own co-operative businesses. I would argue that the growth of the co-operative model of business has proved to be one of the most significant and sustainable initiatives that there has ever been in the fight against global poverty.

Ladies and Gentlemen,

In his Duisenberg lecture to you in Washington DC on October 10th 2010, Paul Polman, the CEO of Unilever spoke on the Sustainability and Security of the Food Value Chain. He recalled that the world needs to increase food yields by 70% by 2050 if we are to feed a growing population. He went on to say that with the exception of Africa and the former Soviet Union, there are no large reserves of farmland for which it is either desirable or feasible to bring under cultivation.

I have reminded you of Mr Polman's words because they lie at the heart of the case I would like to make here today.

Let me first quote from the World Development Report of 2008 – *Agriculture for Development* which states:

“The Report highlights two major regional challenges. In much of Sub-Saharan Africa, agriculture is a strong option for spurring growth, overcoming poverty, and enhancing food security. Agricultural productivity growth is vital for stimulating growth in other parts of the economy. But accelerated growth requires a sharp productivity increase in smallholder farming combined with more effective support to the millions coping as subsistence farmers, many of them in remote areas.”

The same report tells us that of the 5.5 billion people in the developing world, 3 billion live in rural areas, nearly half of humanity!

The question that I would like to pose is how do we best square that circle – a scarcity of food supply worldwide by 2050, current day existing unproductive farmland largely in the hands of the rural smallholders and subsistence farmers in Africa, and no serious answer as yet as to how we support the sustainable growth we need to achieve. And, I would add another element to the

conundrum – how are we to do all that in a way that allows the African rural poor to reap the rewards of any growth, and wider African society to benefit from any increased prosperity?

I am arguing today that the co-operative model of business could be a valuable tool in building sustainable, grass roots agricultural businesses in Africa.

But I am talking about ‘real’ co-operatives. The phenomenon of co-operatives without co-operators is well known in Africa. Often these have been promoted and sustained by African governments who seek to own and control the co-operative sector of the economy, but it is not just governments. There are also instances of public development donors who have constructed a co-operative simply as a financial instrument to drive development funding down to the grass roots farmers. Neither of these pseudo co-operative forms can succeed. Eventually, they collapse or fail and leave a bad taste in the mouths of both grass roots farmers, and those who created the so-called co-operatives. But the worst possible effect of such constructs is that the results that can be achieved by ‘real’ co-operatives, not just in the context of economic success, but also the range of wider community and individual benefits, are lost, and those folk are less likely to ever consider a co-operative again.

According to Professor Suleman Chambo, the Principal of Moshi University College of Co-operative and Business Studies in Tanzania, in a paper he delivered to an Expert Group Meeting on Co-operatives in New York in April 2009:

“As far as market development is concerned, it has been evident that agricultural co-operatives have been responsible for introducing the exchange economy in remote rural areas in Africa. By doing so, co-operatives have been responsible for developing modern markets in rural areas, where the co-operatives provide a ready market for farmers’ crops but also absorb transaction costs, which would otherwise hinder small farmers from market and production integration. Agricultural co-operatives, maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain rural livelihoods. They also, have the advantage of accessing co-operative education and business development capacity building. Co-operative education enables them to participate in democratic debates and exercising democratic principles and leadership training. This gives them the ability to become enlightened citizens able to debate more effectively different political issues of concern to the community. But through co-operative education and practice, they also gain the skills of running business. That is why rural development would greatly be enhanced, if people became members of agricultural co-operatives in general.”

Let us surmise for a moment that that there are probably two serious ways in which the international community could build a stronger, more successful African rural economy.

One way is by the careful nurturing of the local African farming community. This will take a large dose of planning, time, money and perseverance, but, if done properly – I would say co-operatively - has the potential to grow African prosperity, preserve local resources and wealth for local people, and secure the ancillary strengths and benefits so eloquently referred to by Professor Chambo.

Or we could just allow the crisis to develop, and then watch as large multi nationals or even predatory states continue to buy-up agricultural land – because as we already know it has already started - perhaps giving the local farming community a short-term shot in the arm, but probably ensuring that long term poverty and deprivation stays in those communities for generations to come.

We have time - just – to create the former, if we begin the intensive work with smallholders and subsistence farmers on the ground; if we build the community finance infrastructure required; and if we commit to the long term programme that is necessary.

I have had the opportunity to meet on two occasions in the last couple of years with the Deputy Prime Minister of China Mr Hui Liangyu during visits to our co-operative colleagues in the All China Federation of Supply and Marketing Co-operatives – the key co-operative apex in China.

The Deputy Prime Minister told me that one of the key objectives of the Chinese government for the next 25 years was to drive down the wealth that is now very visible in China's towns to the 600 million people living in rural poverty. He argued that co-operatives were a key part of that plan.

Clearly if that is to happen by the sort of community and individual initiative that characterizes co-operative enterprise, adequate and accessible local community funding is a critical factor. At present the Chinese government are not persuaded of the value of authorizing such banking capacity. But they have allowed the All China Federation to support three pilot schemes in the provinces of Hebei, Anhui and Shandong to prove the contention that such funding would not only stimulate the growth of co-operative industry in the rural areas and support local prosperity and wealth creation, but would also provide the evidence that peasant farmers are a sound investment risk.

The pilot schemes entail the establishment of village banks and guarantee companies across the three provinces. They have been running for two years now and are developing differently according to local needs and local initiatives.

It is still too early to have concrete outcomes, but all the early indicators show that they are having significant results and so far the levels of non-performing loans are negligible. Most important in the Chinese context, is that the local and provincial authorities are expressing great confidence in, and enthusiasm for these trial co-operative agricultural financial services as a way of developing added value businesses in the rural areas.

I have outlined this Chinese development because (a) it is an interesting step in the context of Chinese political and entrepreneurial rural evolution, and is perhaps the only other similar space that bears just some comparison to the work that might be needed in Africa; (b) they have allowed the specialist co-operative structures that already exists to run the projects, and the All China Federation has been visiting agricultural co-ops around the world to get a sound understanding of just what might work for them; and (c) because it demonstrates the power of the three elements I quoted. Working from the grass roots upwards ie taking on the intensive work with smallholders and subsistence farmers on the ground, building the community finance infrastructure required; and committing to the long term programme that is necessary if there is going to be a breakthrough.

We know that co-op to co-op developments are amongst the most sustainable business creations in the world with proven record of sustainability and economic success.

In India, two of the largest domestic agric food businesses are co-operatives that grew in this way. One, the Indian Farmers Fertilizer Co-operative (IFFCO) was established in 1967 with expertise from the National Co-operative Business Association of the US, supported by USAID. It is now one of the largest fertilizer businesses in the world whose vision is:

‘To augment the incremental incomes of farmers by helping them to increase their crop productivity through balanced use of energy efficient fertilizers, maintain the environmental health and to make cooperative societies economically & democratically strong for professionalized services to the farming community to ensure an empowered rural India.’

Owned by thousands of Indian farmers, IFFCO is now moving beyond its Indian borders and creating partnerships in many parts of the world. Just last week during the World Co-operative Economic Forum in Quebec City, IFFCO and Coop Federée a major agricultural co-operative in Canada announced a CAN \$1.3 billion investment in a fertilizer plant in Quebec – a joint trans national co-operative venture.

A second is the Gujarat Co-operative Milk Marketing Federation, now widely know as Amul. Established in 1965, Amul was recently voted as the brand with

the greatest household recognition in India. Amul is owned by more than three million small dairy farmers who have now elevated India to the largest producer of milk in the world.

Amul was founded as a way to bring a decent and fair livelihood to the households of thousands of India's dairy farmers. It was the umbrella under which small Indian dairy farmers were able to build their economic identity and power and was at the heart of India's White Revolution. It was a direct result of the World Bank's Operation Flood and is arguably one of the most successful of the World Bank's development initiatives. Amul is an iconic Indian brand and is very much a part of the fabric of Indian business and is now exporting its brand to the Middle East, Africa, Asia and to Australia.

Over the last half century, the global co-operative movement has been stimulating and driving its own projects for international development. Co-operative federations or individual co-operative businesses like those in Canada, the USA, Sweden, Norway, the UK, Japan, Italy, the Netherlands, Spain and Portugal have been sourcing funding from own resources, or through projects with their government's international development department, and even in some cases through the annual collection of funds from a sympathetic public such as in Sweden, to use the co-operative model of business to help eliminate poverty across the developing world.

There is evidence a plenty, of the successful growth of co-operatives of different sorts through not just the use of these funds, but the input of co-operative expertise and skills from established businesses across the world. The work of Rabobank itself is of course a powerful example of that in action as you will know.

Take the spread of electricity co-ops throughout South America and more recently beginning in Bangladesh. This is a direct result of a transfer of knowledge from US Electric Co-ops which provide electricity to 42 million families across the United States. Working with US and UK Aid, the National Rural Electric Co-operative Association of the United States has been building the electricity infrastructure in Bangladeshi villages – bringing electricity to those communities for the first time, and training the villagers in how to maintain and run the co-operative going forward.

The UK's Co-operative College was supported by Co-op Africa – funded by UK Aid through the Department for International Development - to work at grass roots level to develop a cluster of co-operative colleges across Africa. We are now seeing a cadre of young people trained in co-operative business principles and management. Some of these colleges are still fragile and need nurturing and ongoing support, but they are the hope for the capacity building that Africa so desperately needs.

The Japanese co-operative movement along with its government has for the last 20 years been quietly providing money for the in-depth training for agricultural co-operatives across the Asia region, driving up the professionalism and managerial capacity of grass roots agricultural co-operatives. Improving governance, financial management, skills and technical capacity. The huge co-operative housing movement in Sweden has been working in Cambodia, and parts of Africa. The World Council of Credit Unions has done incredible work helping to create credit unions or savings and credit co-operatives across Africa and so much more.

The evidence of the value of co-op to co-op knowledge transfer and private and public partnerships and investment of this sort has been powerful and positive – but it has been relatively small and contained compared to what is needed if we are to deal with the issues raised by food scarcity, food security, the relief of poverty, the evolution of civil society and the empowerment of ordinary people throughout sub-saharan Africa.

Secondly, and the main thrust of my comments today is this. On the 31st October 2011, the United Nations announced the birth of the 7 billionth member of the human race. Paradoxically that was also the day on which the UN launched the International Year of Co-operatives!

The co-operative movement has stayed the journey for nearly 200 years, it has great resonance for people now at a time when the global market has left them feeling dislocated from any influence on their economic conditions. Co-operatives are something they can touch and feel – they are built by local people for local people and they keep wealth and prosperity in the local community. It also has the great virtue of creating more engaged and informed citizens, encourages community leadership, initiative and entrepreneurial activity, and helps to embed democracy.

In a recent interview with the Financial Times, Dr Jim Yong Kim is quoted as saying that “poverty is now the World Bank’s primary focus” and that the Bank would try to achieve the end of global poverty by promoting private sector growth and ensuring the benefits are shared throughout a developing society.

We could not agree more.

In the interview he said that his question to his own teams is: “if our goal is to end poverty, if our goal is to reduce vulnerability, if our goal is to do so by spurring the development of the private sector, how do your activities line up with those fundamental goals?”

We believe that our contribution to the elimination of poverty lines up pretty well with those fundamental goals, and has been maintained and grown over decades.

As a local business model co-operative enterprise is the natural and compelling partner to both public and private institutions in the fight against poverty.

We believe that we can make a significant contribution to solving the issues of food scarcity and food security.

We have the agricultural and financial expertise needed to build grass roots networks and supply chain networks that could make a significant starting point for the peaceful and indigenous evolution of not just pockets of African agricultural growth, but whole regions.

You have the agenda, the infrastructure and the resources.

The question is does the world have the political will?

Thank You.

Ends