

Financing for Development

International Co-operative Alliance position on the Zero Draft

Introduction

The International Co-operative Alliance welcomes the zero draft of the outcome document of the Third Financing for Development conference to be held in Addis Ababa in July. This is a crucial component of the discussions to set a Post-2015 Development Agenda that can actually deliver ambitious Sustainable Development Goals.

About us:

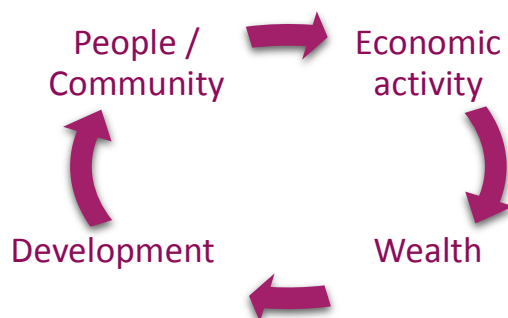
The International Co-operative Alliance (ICA) is an independent, non-governmental organisation established in 1895 to unite, represent and serve co-operatives worldwide. It provides a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives.

Alliance's members are international and national co-operative organizations from all sectors of the economy, including agriculture, industry, services, banking, retail, fisheries, health, housing, and insurance. The Alliance has members from one hundred countries, representing one billion individuals worldwide. At least 250 million people draw all or part of their income from a co-operative. The 300 largest co-operatives have combined annual revenues of USD 2.2 trillion, the equivalent of the GDP of Brazil, the 7th largest economy in the world.

The Alliance is the guardian of the co-operative definition, values and principles enshrined in the Statement on the Cooperative Identity and included in the ILO Recommendation 193/2002 on the Promotion of Cooperatives¹.

How cooperatives innovate ways of financing for development

What makes co-operatives particularly adept to financing and implementing sustainable development initiatives is their specific model of enterprise that creates a virtuous circle that can be illustrated like this:



¹ Co-operative values: self-help, self-responsibility, democracy, equality, equity and solidarity; Co-operative principles: Voluntary and open membership; Democratic member control; Member economic participation; Autonomy and independence; Education, training and information; Co-operation among co-operatives; Concern for community. More details can be found [HERE](#).

People/Community: Co-operative enterprises are people-centred businesses that are owned and democratically managed by people. Co-operatives worldwide have **1 billion** members. People own the entrepreneurial activities of their co-operatives, unlike other models that are owned by investors.

Economic activity: Because of their ownership structure, the economic activity of co-operatives does not only seek the best return on investment for their owners, but rather addresses the real economic and social needs and expectations of members in the real economy.

In addition, employment and income generated by co-operatives tend to be more stable and secure in the medium and long terms, even in times of crisis². Co-operatives employ and generate income for **250 million**³ people worldwide.

Furthermore, because they are locally owned and managed, co-operatives create parallel and complementary services and employment in the regions where they are established.

Wealth: The economic activity of co-operatives generates wealth that is, in turn, distributed back to members and their communities. Unlike investor-owned models, the revenues created by co-operatives are returned entirely to members or local communities or reinvested in their activities. The 300 largest co-operatives have combined annual revenues of **USD 2.2 trillion**⁴.

Development: By redistributing the wealth generated by their economic activity to members and local communities, co-operatives promote their development. And because they are democratically controlled, this redistribution is applied in accordance to members' priorities and needs. With the adequate policy, legal and economic environment, these resources can be substantially increased for the benefit of development worldwide. This is an innovative way to leverage financing for development.

Economic, social and environmental development by co-operatives will, of course, benefit **People/Community**, closing the circle.

Global partnerships and solidarity

We welcome that the zero draft states, from the beginning, that Member States resolve “to address the challenges of financing for sustainable development in the spirit of global partnership and solidarity” (paragraph #1).

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity and therefore can help deliver these aims within the collaborative spirit sought.

We welcome in particular the recognition that support for “institutions and channels that offer affordable financial services for all including (...) cooperatives” (#43), and the recognition that credit unions – part of the co-operative movement – “can play a vital role providing access to credit, including to SMEs” (#46).

² For a perspective on the resilience of financial co-operatives see the ILO study “[Resilience in a Downturn: the power of financial cooperatives](#)”

³ Co-operatives and Employment: a Global Report. <http://s.coop/1v7z3>

⁴ World Cooperative Monitor 2014: <http://s.coop/1tk8y>

In fact, the co-operative movement has a fundamental role to play in delivering a financial framework oriented to sustainable development, not only through financial co-operatives and mutuals (banking and insurance), but also in other sectors of the economy such as agriculture, fisheries, industry and services, retail, housing, health, energy and others.

Inclusive language

We support and agree that the private sector can make an important contribution to financing for development. However, we consider that it is important to recognize and distinguish the different nature of private sector organizations.

As an example, the recent European Union Communication on the role of the private sector in achieving inclusive and sustainable growth in developing countries states that “private sector activity can take many forms and will impact on economic development in various ways. The private sector is highly diverse, ranging from enterprising individuals to large multinational corporations and financial institutions; from enterprises creating shareholder value to people-centred social businesses, cooperatives and workers and employers organisations” and continues by recognizing that “cooperatives, social enterprises and other forms of people-centred business are often leading the way in providing decent jobs, sustainable livelihoods and inclusive solutions to social problems”.

The International Co-operative Alliance would support a similar approach in the zero draft of the outcome document. The zero draft often mentions “private sector”, “business sector” and “civil society” without any specific reference to co-operatives or other social and solidarity economy organizations. In many countries this may limit or exclude these organizations from fully participating in the financing and implementation of sustainable development initiatives; in many legal frameworks and cultures, they are not considered a part of the “private sector” and/or “civil society” but rather as a “third sector” of the economy. If the spirit of the outcome document is indeed to build partnerships and solidarity, it should be as inclusive as possible.

Suggestions for improvement

The following suggestions aim to introduce the concept of co-operatives and social and solidarity economy organizations into the zero draft to make it more inclusive regarding the contribution of different models to financing for development. Proposed changes are highlighted in the text.

Paragraph #5

“(…) solutions can be found through strengthening official finance, unlocking the transformative potential of people, **and the private sector and the social and solidarity economy** while ensuring that investment patterns support sustainable development (…)”

Paragraph #11

“(…) We commit to significant international support for this initiative and we call for philanthropists, foundations, **co-operatives, social and solidarity organizations** and the business sector to join us in these efforts.”

Paragraph #71

“(…) in partnerships with other relevant actors, including private sector, **co-operatives, social and solidarity organizations** and civil society (…)”

Paragraph #123

“(…) We invite relevant international institutions, regional and other development banks, academia, think tanks, civil society, **co-operatives, social and solidarity economy organizations** and business to provide input to the inter-agency task force.”

In addition, we would suggest the introduction of two new paragraphs under section B “Domestic and international private business and finance”:

New paragraph 37 A

“Private sector activity can take many forms and will impact on economic development in various ways. The private sector is highly diverse, ranging from enterprising individuals to large multinational corporations and financial institutions; from enterprises creating shareholder value to people-centred social businesses, cooperatives and workers and employers organisations.”

New paragraph 37 B

“We acknowledge the role of cooperatives and social and solidarity organizations and their potential to finance and implement sustainable development initiatives. As people-centred organizations, based on values such as democratic governance, self-help, equity and solidarity, cooperatives and social and solidarity economy organizations demonstrate every day that it is possible to pursue economic viability with social and environmental responsibility. We commit to provide an enabling policy environment for the creation, growth and development of these organizations.”
