



# EXAMINING OUR COOPERATIVE IDENTITY

Discussion Paper  
for the 33<sup>rd</sup> World Cooperative Congress  
Seoul, 1-3 December 2021

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*Foreword by Martin Lowery*

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# EXAMINING OUR COOPERATIVE IDENTITY

**‘The ICA *Statement on the Cooperative Identity* goes on to set out the values on which cooperatives are based and concludes by enunciating the principles which today’s cooperatives follow to put these values into practice’.**

Graham Melmoth  
ICA President, 1995-1997

## Foreword

The purpose of the present document is to launch a re-examination of the ICA’s *Statement on the Cooperative Identity*. Adopted in Manchester in 1995 at the 31<sup>st</sup> World Cooperative Congress, the Statement set out for the first time the cooperative and ethical values that lie behind the principles elaborated by the founders of the cooperative movement, provided a clear definition of the cooperative business model, and updated the cooperative principles to reflect the contemporary features of the movement. Since its adoption 25 years ago, the need to deepen an understanding of and improve the utilization of the cooperative business model has grown steadily. For this reason, it was agreed at the 2019 ICA General Assembly in Kigali, Rwanda to hold the 33<sup>rd</sup> World Cooperative Congress on the theme of ‘Deepening our Cooperative Identity’. The Congress, which takes place in Seoul, Korea and online from December 1-3, 2021, will explore the implications of the *Statement on the Cooperative Identity* in today’s complex global environment and will mark the start of an intensive examination of the Statement.

For the reader’s convenience, this document notes specific Congress sessions that will directly address one or more aspects of the Statement and poses questions for the reader to consider both while attending the sessions and during the deliberations that follow the Congress. In drafting the paper, the authors have drawn upon the *Guidance Notes on the Cooperative Principles*, published by the ICA in 2015, as well as writings by the late Professor Ian MacPherson, who led the consultation that culminated in the adoption of the *Statement on the Cooperative Identity*. A list of these documents and other suggested readings may be found at the end of the paper.

In disseminating this discussion paper, we look forward to robust and thoughtful conversations across the global regions and sectors of the ICA prior to, during and well beyond the 33rd World Cooperative Congress.

**Martin Lowery**  
**Chair, ICA Cooperative Identity Committee**

## Acknowledgements

The authors—Alexandra Wilson, member of the global Board of Directors of the ICA, Ann Hoyt, retired Professor at the University of Madison, Wisconsin, Bruno Roelants, Director General of the ICA, and Santosh Kumar, ICA Director of Legislation, wish to express their heartfelt gratitude to the many people who assisted in the production of this paper, including

- Gretchen Hacquard, ICA Director of Membership, and Hyungsik Eum, ICA Director of Research, who reviewed the first version;
- content reviewers: Ela Bhatt, founder of the Indian cooperative and trade union movement the Self-Employed Women's Association (SEWA); Gillian Lonergan, Head of Heritage Resources, Co-operative Heritage Trust and Trustee of the UK Society for Co-operative Studies; Patrick Develtere, Professor for the Centre for Global Governance Studies at the University of Leuven, Belgium; and Clemente Jaimes, former President of the Colombian workers cooperative Pollo Vencedor and of the La Equidad insurance cooperative and co-author of the World Declaration on Worker Cooperatives; and
- Hagen Henry, Sonja Novkovic, Seungkwon Jang, Stefania Marcone and Gabriela Buffa, members of the World Cooperative Congress Task Force, who reviewed the document thoroughly prior to its final editing.

Our deepest thanks are also due to Martin Lowery, chair of the Identity Committee of the ICA Board of Directors and chair of the 33<sup>rd</sup> World Cooperative Congress Task Force, who provided invaluable advice throughout all stages of the drafting of this document.

# Introduction

‘The history of cooperatives is one of a remarkably durable, resourceful and resilient form of enterprise — groups of ordinary people coming together to provide themselves with jobs, markets, goods and services at lower cost and higher quality than otherwise available’.<sup>1</sup>

This document is intended to support a review of the three components of the *Statement on the Cooperative Identity*—the definition of a cooperative, the ten values that undergird the cooperative business model, and the seven cooperative principles—and to open a continuing global dialogue on the relevance of cooperatives and the applicability of the cooperative principles in the remainder of the 21<sup>st</sup> century. That dialogue will begin at the 33<sup>rd</sup> World Cooperative Congress, whose theme is ‘Deepening our Cooperative Identity’. Congress sessions of relevance to the different aspects of the cooperative identity are noted in the margins. Questions intended to prompt reflection and spark discussion appear throughout the paper.

The first cooperative to enunciate the set of working principles reflected in the *Statement on the Cooperative Identity* was founded in Rochdale, England in 1844. Since this seminal moment, the cooperative movement has grown dramatically. Today it extends its reach to almost all the countries of the world, comprises more than a billion member-owners worldwide, provides approximately ten per cent of global employment and makes up over three million enterprises operating in a wide variety of economic sectors. Social, economic and political conditions have changed repeatedly and dramatically during the nearly two centuries since the first principles were drawn up, yet many of the cooperatives thriving today date their beginnings to more than 100 years ago and people continue to turn to the cooperative business model to meet their common needs, founding new cooperatives, often in new sectors, nearly every day. A major reason for the strength and lasting appeal of cooperatives across the globe is their common adherence to the fundamental operating principles, supported by overarching values, that continue to define a unique business model.

The operating rules elaborated by the Rochdale Pioneers evolved into a formal set of international cooperative principles following the establishment in 1895 of the International Cooperative Alliance (ICA). From the beginning, an important role of the ICA has been to define, advance and defend the principles. The first of these responsibilities has been met through three successive updates, each informed by consultations conducted democratically among the ICA’s members: the first in the 1930s, the next in the 1960s and the last in the 1990s. The evolution of the principles through these updates is outlined in Appendix 2. Appendix 3 compares the results of the successive changes.

The most recent re-examination of the principles, carried out over several years and concluding with the adoption of the *Statement on the Cooperative Identity* at the 1995 Congress in Manchester, took place against a backdrop of major economic and social changes wrought by the liberation of the remaining European colonies; the end of the Cold War and the dramatic expansion of the European Union; the rise of neo-Liberal

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<sup>1</sup> A. Hoyt and T. Menzani, “The International Cooperative Movement: A Quiet Giant”, in *The Cooperative Business Movement, 1950 to the Present: Comparative Perspectives in Business History*, ed. P. Battilani and H. G. Schroter (Cambridge: Cambridge University Press, 2012), 57.

economic policies; the globalization of the world economy; and the advent of the new Information Age. These changed external circumstances, combined with the growth of cooperatives worldwide, including in new economic sectors, provided the impetus for a thoroughgoing review.

**Congress session 1:**  
Examining our cooperative identity

Despite a diversity of form and area of enterprise quite beyond the imagining of those who founded the world's first cooperatives, the cooperatives who participated in the 1990s review found that they had more in common than not and that, for the most part, the principles had stood the test of time. Indeed, there is a remarkable continuity from one version to the next, provided by the retention of the following elements:

- cooperatives are **open** enterprises;
- are politically **neutral**;
- are governed **democratically**;
- privilege **persons over capital**;
- and place great emphasis on the importance of **education**.

The Statement carries over from the 1966 version the principle of **cooperation among cooperatives**, which, though now more often interpreted to refer to trade among cooperatives and participation in associations of cooperatives, gave voice to the long-held aspiration of the European cooperators of the 19<sup>th</sup> century to establish a cooperative commonwealth.

The 1995 Congress reformulated the principles in a way that addressed the relevance of the cooperative business model in the face of changing economic conditions and emerging social and environmental issues. The addition of a new principle expressing a commitment towards the **sustainable development of the communities** in which cooperatives are situated is of note in this regard. The Statement also contained, for the first time, a **universal definition** of cooperatives based on **meeting people's common economic, social and cultural needs and aspirations** and set out a series of **overarching cooperative and ethical values** that provided an important foundational complement to the operational principles. With these new elements, the Statement constituted a more complete set of international standards for cooperatives than any previous version and, as such, introduced the notion of an **identity** shared by cooperatives around the world.

Seven years after the adoption of the 1995 Statement, in 2002, its separate components were fully included in the International Labour Organization's Promotion of Cooperatives Recommendation, 2002 (n° 193). This marked the first time that the universal cooperative standards adopted by the international cooperative movement had been included in full in the official text of an organisation within the United Nations system. Recommendation 193 was adopted without opposition, indicating a full consensus within the international community. The Recommendation has in turn stimulated the adoption of cooperative statutes or changes to existing legislative statutes in many countries including China, Brazil, India, Italy, Spain, France, South Africa, Vietnam, the Philippines, Japan, Korea and several US states, thus further harmonizing and promoting the cooperative identity throughout the world.

Twenty-five years have passed since the adoption of the *Statement on the Cooperative Identity*. The pace of change and disruption in the world in which cooperatives arise and operate has not slowed: the technological revolution that preoccupied managers

of cooperatives at the end of the last century has given way to the full digitalization of the economy, transforming business and trade in ways scarcely discernible by the most forward-looking business leaders of 25 years ago; girls across the globe have growing access to education and women are moving to take their rightful place in the productive activities and governance of their societies, challenging longstanding cultural norms in the process; younger workers in the advanced economies increasingly find themselves confined to the insecurity of the so-called gig economy, a status all too familiar to the peoples of the developing economies; continued economic globalisation and technological change have marginalized whole segments of the population in many countries, giving rise to a distrust of authority and populist, even reactionary, political movements; diversity, equity and social inclusion have become rallying cries in many countries; environmental degradation has worsened sharply and the spectre of climate change is now a current climate emergency; massive population displacements induced by a changing climate loom, particularly in the Global South; the aging and ultimate shrinking of the population in the developed economies holds the promise of reduced stress on the natural environment and the threat of economic stagnation; and a pandemic that reached every corner of the globe in a few short months has disrupted economies everywhere, throwing many out of work, demonstrating the enormous potential heralded by remote work, and exposing the gaping holes in social safety nets everywhere.

The world's first cooperatives were arguably also the first actors in what today we call the social and solidarity economy, seeking as they did to organise economic enterprises whose aim was to meet people's common needs for goods and services on a basis that fairly shared the benefits of the business. They stood apart both from enterprises formed for the purpose of securing profits for their investors and from charitable undertakings that excluded recipients from any control over the provision of the goods and services on which they relied. Invoking the values of self-help and solidarity, cooperatives instead invited people to join together in voluntary associations to satisfy their common needs.

The 20<sup>th</sup> century saw the creation of public enterprises to deliver services that had once or might have been provided by cooperatives in such diverse sectors as energy, housing, health, insurance and public transport. The last 25 years have witnessed the birth of new forms of social enterprise that aim to serve and employ those living on the margins of society; seen the invention of B Corporations, which seek to balance purpose with profit, and the emergence of B certification systems; brought environmental, social and governance issues into the forefront of corporate concerns; and given rise to the emergence of purpose-driven investor-owned corporations. In the meantime, isomorphic forces, inevitable in their effect if left unchecked, have continued to lead well established cooperatives, especially those in the developed economies, to question the relevance of the cooperative identity as they adopt the practices and norms of the corporate sea that surrounds them, distance themselves from their members, and witness the failure or demutualisation of long-established peers.

The time has come to ask whether revisions are needed once again, or whether the Statement remains fit for purpose, perhaps with greater interpretive support. While this text will serve as a preparatory document for the discussions at the 33<sup>rd</sup> ICA World Cooperative Congress, the reflections shared through the various congress sessions will assist in opening a global conversation on the cooperative identity in a post-

pandemic world, leading to potential improvements based on democratic consultations with the ICA's members, as has happened on previous occasions in the ICA's 126-year history.

# 1. The Definition of a Cooperative

## Congress session 1:

Examining our cooperative identity

The *Statement on the Cooperative Identity* contains the first definition of a cooperative developed and agreed to by the international cooperative movement:

**‘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’.**

Each of these words was carefully chosen, fully debated and ultimately endorsed by the international cooperative movement through the deliberations of the International Cooperative Alliance. Through ILO Promotion of Cooperatives Recommendation, 2002 (n° 193),<sup>2</sup> the definition was subsequently adopted by the wider international community. It is intended to apply equally to all types of cooperatives: consumer, producer, worker, and multi-stakeholder.<sup>3</sup>

Perhaps most important, the definition emphasizes that cooperatives are **associations of persons**, thus distinguishing them from investor-owned enterprises, which are, in essence, associations of capital.

The persons in a cooperative **unite voluntarily** to meet their common economic, social and cultural needs and aspirations. This implies that decision-making within a cooperative should be based on the expressed interests of the people who share those common needs and aspirations and not on owners of capital.

## Congress session 1.4:

Cooperative cultural heritage

The **needs and aspirations** of those who unite voluntarily in a cooperative are to be understood as being *simultaneously* **economic, social and cultural**, and not as either/or, as all cooperatives reflect elements of the three, if to varying degrees. The cultural element is as fundamental as the other two, since cooperatives develop and depend upon a culture of cooperation.

The **conjunction of ownership and control** by the cooperative’s members, which precludes any opportunity for external control, is a key and original component of the cooperative business model.<sup>4</sup> It does not preclude the use of external capital that does not carry control features; nor does it preclude regular external audits, which are of considerable importance, as explained below under the 2<sup>nd</sup> cooperative principle.

Cooperatives bring together a wide range of stakeholders and, in this sense, constitute a **stakeholder economy**.<sup>5</sup> The members of a cooperative may be persons seeking fair access to financial services or such essential utilities as energy and water. They may be

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<sup>2</sup> ILO Promotion of Cooperatives Recommendation, 2002 (n° 193), [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:P12100\\_ILO\\_CODE:R123](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:P12100_ILO_CODE:R123).

<sup>3</sup> 2019 ILO Guidelines Concerning Cooperative Statistics, [https://www.ilo.org/stat/Publications/WCMS\\_648558/lang-en/index.htm](https://www.ilo.org/stat/Publications/WCMS_648558/lang-en/index.htm).

<sup>4</sup> C. Sanchez Bajo and B. Roelants, *Capital and the Debt Trap – Learning from Cooperatives in the Global Crisis* (Basingstoke: Palgrave-MacMillan, 2013), 114-127.

<sup>5</sup> “Cooperative stakeholders are motivated by solidarity and a shared objective they can realize through a cooperative enterprise. They each bring a different perspective to the table, but their interests align to work towards cooperative viability and adherence to cooperative values”. S. Novkovic and K. Miner 2015, <https://www.ica.coop/sites/default/files/basic-page-attachments/ica-governance-paper-en-2108946839.pdf>.

persons seeking quality housing, food or other consumer goods at fair prices. They may be craftspeople, such as bakers or mechanics, or self-employed professionals, such as doctors and lawyers, joining together to provide a common service offering. They may be businesses in the same sector or individual fishers, ranchers or farmers who combine to meet their common supply and marketing needs. They may be workers seeking stable employment and fair wages in competitive industrial or service enterprises. They may be writers, artists, actors, musicians and others wishing to carry out cultural activities together or share administrative services. They may be service providers seeking common control of a digital distribution platform. They may be people seeking equal opportunity in employment or access to services. Examples abound of the diversity of cooperative members in a stakeholder economy.

Cooperatives of all types offer people the opportunity to unite in their efforts—as the definition states—to meet their common economic, social and cultural needs and aspirations. They strive to achieve fairer pricing, better quality, greater accessibility, and more assured long-term economic sustainability than might be achieved through individual entrepreneurship or an enterprise model motivated by goals or aspirations other than service to their members.

**Congress session 2:**  
Strengthening our cooperative identity as a competitive advantage

It must be underlined that, notwithstanding its social purpose, a cooperative is an economic enterprise. It must make its way in the marketplace and so must be fully competitive. Its essential cooperative character need not stand in the way of commercial success. In fact, the cooperative identity contains many components that, if emphasized, can constitute a substantial **competitive advantage**.

**QUESTION:** Is the definition of a cooperative complete? Is any part of it obsolete? Is any part of it superfluous?

## 2. Cooperative and Ethical Values

**Congress session 1:**  
Examining our cooperative identity

### Introduction

Though normally insisting upon religious and political neutrality, the cooperative movement has deep connections to the world's array of ideologies and religions. Cooperators have repeatedly explored their own value systems and attempted to identify those personal ethics and social ideals that they share and that motivate their actions. The 1995 *Statement on the Cooperative Identity* attempts to identify the best features in the cooperative movement's value systems and articulates these as the ideals of personal and social conduct to which the movement aspires. In the 'Background Paper on the ICA *Statement on the Cooperative Identity*', the ICA explained, 'Any discussion of values within cooperatives must inevitably involve deeply-felt concerns about appropriate ethical behaviour. Consequently, achieving a consensus on the essential cooperative values is a complex but rewarding task'.<sup>6</sup>

According to the Cambridge Dictionary, values are 'the principles that help you to decide what is right and wrong, and how to act in various situations'.<sup>7</sup> Basic cooperative values are general norms that cooperatives and their members, leaders and staff are expected to share, and that should guide their thoughts and actions. The values affirm what is the *right* thing to do. The description of cooperative and ethical values in the ICA's *Statement on the Cooperative Identity* seeks to engage the heart, conscience and loyalty of current and future cooperative members.

The project to articulate universal values for the movement can be traced back to the ICA Copenhagen Congress of 1978 at which the need was expressed to understand the pressures being exerted on cooperatives by the profound socioeconomic and political changes then emerging in the world. Canada's Alexander Laidlaw was commissioned by the ICA to study the subject. His report, *Cooperatives in the Year 2000*, was presented to the Moscow Congress in 1980 and underlined the need for the further development of cooperative thought. The 1984 ICA Congress in Hamburg went on to discuss how the cooperative movement should address such global issues as peace, food security, energy, environmental protection, and international cooperative development. This reflection inspired and informed subsequent work on cooperative values. 'Basic Cooperative Values' was the main theme of the ICA Congress convened in Stockholm in 1988, where Sweden's Sven Åke Böök was entrusted with the task of preparing a report on values. Böök's report was presented to the ICA Congress held in Tokyo in 1992.

In his essay 'What is the end purpose of it all, The Centrality of Values for Cooperative Success in the Market Place',<sup>8</sup> Ian MacPherson, who led the work that culminated in the elaboration of the *Statement on the Cooperative Identity* for the ICA, argues that the

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<sup>6</sup> "Background Paper on the ICA Statement on the Cooperative Identity", in "XXXI ICA Congress Manchester 1995 – Agenda and Reports", *Review of International Co-operation*, Volume 88, N°3, 12.

<sup>7</sup> <https://dictionary.cambridge.org/dictionary/english/values>.

<sup>8</sup> "What is the end purpose of it all?: The Centrality of Values for Cooperative Success in the Market Place" in *The Cooperative Business Movement, 1850 to the Present*, ed. Patrizia Battaloni and Harm Schröter (Cambridge: Cambridge University Press, 2012), 107-125 and in "2012: A Year to Remember", *Enterprise* January (2013): 16-21.

values are more permanent than the principles, which, as operating rules, have been modified every few decades in response to experience and changing conditions.<sup>9</sup>

## Cooperative Values

**‘Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity’.**

**Self-help**<sup>10</sup> alludes to the belief that people can and should influence their own destiny. They can develop their own skills, knowledge and understanding through cooperative action. The value assumes that people have the will and the ability to improve their lot in life peacefully through joint action, which can be more powerful than individual effort.

**Self-Responsibility** indicates that members assume responsibility for their cooperatives and promote them to their friends and families. It is the responsibility of members to ensure that cooperatives remain independent from undue external influence from such sources as private capital and government. The value also highlights that members have a responsibility towards their own selves.

**Democracy** offers a system through which members have the right to participate, to be informed, to be heard and to be involved in making decisions. Members are the source of all authority in the cooperative. ‘The basic unit of the cooperative is the member.... This basis in human personality is one of the main features distinguishing a cooperative from firms controlled primarily in the interests of capital’<sup>11</sup> (ICA Background Paper).

**Equality** is fundamental to cooperation. Because the basic unit of any cooperative is the member, this value argues for equal rights and opportunities for members and prohibits differential treatment of members based on any kind of artificial difference among them. Cooperatives assume that equal rights and opportunities for people to

**Congress  
session 2.2:**  
Inclusive  
governance

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<sup>9</sup> Given that the values are more permanent than the principles, why did the cooperative movement not codify them earlier on? According to Ian MacPherson, the answer, at least in part, is that different cooperative schools had been influenced by the values inherent in different political theories (liberal, conservative, Marxist, social democratic, etc.), but the cooperative movement was determined to achieve unity through political neutrality. In addition, national loyalties were often divisive in the first years of the cooperative movement. As the movement grew and expanded, first to Eastern Europe and then to other continents, it carried European values with it. However, it was important, if the movement was to take firm root outside Europe, that the cooperative business model resonate with the values held by the peoples on other continents. By the 1990s, the ICA had a firmly global character and the clashing ideologies of the Cold War no longer threatened division within the movement. This opened the door to a discussion of values informed by the reflections of contemporary and earlier cooperative thinkers including Gino Mattarelli of the social cooperative movement in Italy, Ela Bhatt of the SEWA movement in India, Jose Maria Arizmendiarieta of Mondragon, Alphonse and Dorimène Desjardins (Canada), Alexander Fraser Laidlaw (Canada), W.P. Watkins (UK), James Peter Warbasse (USA) and Toyohiko Kagawa (Japan). Such great political figures as Mahatma Gandhi, Martin Luther King, Kwame Nkrumah and Nelson Mandela, and the concept of the relation with the earth enunciated by Pacha Mama in Latin America, further inspired cooperators internationally to explore and give expression to their shared values.

<sup>10</sup> The French version of the *Statement on the Cooperative Identity* translates this value as ‘entraide’, literally ‘mutual aid’, which underscores the collective approach to self-help.

<sup>11</sup> “Background Paper on the ICA Statement on the Cooperative Identity”, in “XXXI ICA Congress Manchester 1995 – Agenda and Reports”, *Review of International Co-operation* Volume 88, N°3, 13.

participate democratically will improve the use of society's resources and foster mutuality, understanding and solidarity.

**Equity** refers to fairness or justice in the way people are treated. In the cooperative context it means that resources and opportunities are allocated among members in a way that seeks equal outcomes despite different circumstances. The allocation of resources and opportunities should promote fair outcomes based on members' participation in and democratic control over their cooperative. Methods to distribute resources for the benefit of all members may include returns to members, allocations to capital reserves, increases or improvements in services or reduced charges (see third cooperative principle below).

**Congress session 2.3:** A strong entrepreneurial network

**Solidarity** grows out of the assumption that there is strength in numbers, that many people working together to meet their personal needs (self-help) and the needs of the group (mutual self-help) can produce greater benefits to the individual than working alone. Globalization of the world economy and advanced information technology have both heightened the need and increased the opportunity for solidarity among members, who work together through their cooperatives to improve their collective wellbeing and strive to connect with the larger cooperative movement from the local to the international level, while also upholding universal ethical values.

## Ethical Values

**'In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others'.**

The *Statement on the Cooperative Identity* goes on to articulate values of personal and ethical behaviour that cooperators actualize in their enterprises. The ethical values practised by those women and men who were cooperative pioneers continue to define the fabric and character of today's cooperatives. Over time, the high expectations members have for the cooperatives they own and control have grown to include social responsibility and caring for others. This reflects concern for the health and wellbeing of individuals within communities and a commitment to help them help themselves through cooperatives. The four ethical values are listed and explained below.

**Congress session 2.2:** Ethical value chain management

**Honesty** is first among the four ethical values. The earliest cooperatives emphasized the importance of honest dealings in the marketplace: accurate measurement, reliable quality and fair prices. Cooperative members continue to insist that their enterprises have honest dealings with them and with clients and providers along the value chain. This commitment has built cooperatives' reputation and standing in communities as enterprises that can be trusted. This in turn has led to honest dealings with non-members and a high level of openness throughout the organization.

**Openness** is characterized by an emphasis on transparency and collaboration. It refers to 'accessibility of knowledge, technology and other resources; the transparency of action; the permeability of organizational structures; and the inclusiveness of

participation<sup>12</sup> and ‘...the structured and reasonable availability to the membership of information and knowledge relevant to the successful life of the [cooperative]’.<sup>13</sup>

**Social responsibility** is individual commitment outside the boundaries of any private or state economic entity. With respect to cooperatives, it refers to the cooperative accepting responsibility for and ameliorating the negative consequences for society stemming from its actions and operations. It also refers to a cooperative’s acceptance of the responsibility to contribute to the welfare of society and the environment while lessening negative impacts on them.

**Caring for others** reflects cooperators’ tolerance for others and concern for their community. This ethical value that may be found in different forms of entity but is a basic value for cooperatives, to be put into practice. Cooperatives have a natural affinity for creating a temperament of camaraderie and interdependence among people through actions based on the mindfulness and deep concern for the other.

## Connecting the Values to the Definition and the Principles

Explicitly associating the cooperative values with the cooperative definition and principles is a key contribution of the *Statement on the Cooperative Identity*.

The following relationships are suggested partly by Ian Macpherson’s above-mentioned text and partly by the *Guidance Notes on the Cooperative Principles*.

The value of [mutual] **self-help** finds its correspondence mainly in the **jointly owned and democratically controlled enterprise** part of the definition, and in the principles of **member economic participation, autonomy and independence** and **concern for community**.

**Self-responsibility** is directly expressed in the principles of **democratic member control** and of **member economic participation**.

**Democracy** is referenced both in the definition and in the principle of **democratic member control**.

**Equality** and **equity** are reflected in both ‘**jointly-owned and democratically controlled enterprise**’ and the principle of **members’ economic participation; equality** is also connected to the principle of **education, training and information**.

**Solidarity** is primarily connected to the first part of the definition (‘**meeting their common economic, social and cultural needs and aspirations**’), to the principle of **cooperation among cooperatives** and to the principle of **concern for community**.

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<sup>12</sup> Daniel Schlagwein, Kieran Conboy, Joseph Feller, Jan Marco Leimeister and Lorraine Morgan, “Openness With and Without Information Technology: A Framework and a Brief History,” *Journal of Information Technology* 32, no. 4 (2017): 297–305, as cited in <https://en.wikipedia.org/wiki/Openness>.

<sup>13</sup> Sidney Pobihushchy, “The Cooperative Values: Their Meaning and Practical Significance”, *CBL Reader* (2012): 25-27.

## The Connections among Cooperative Definition, Values and Principles

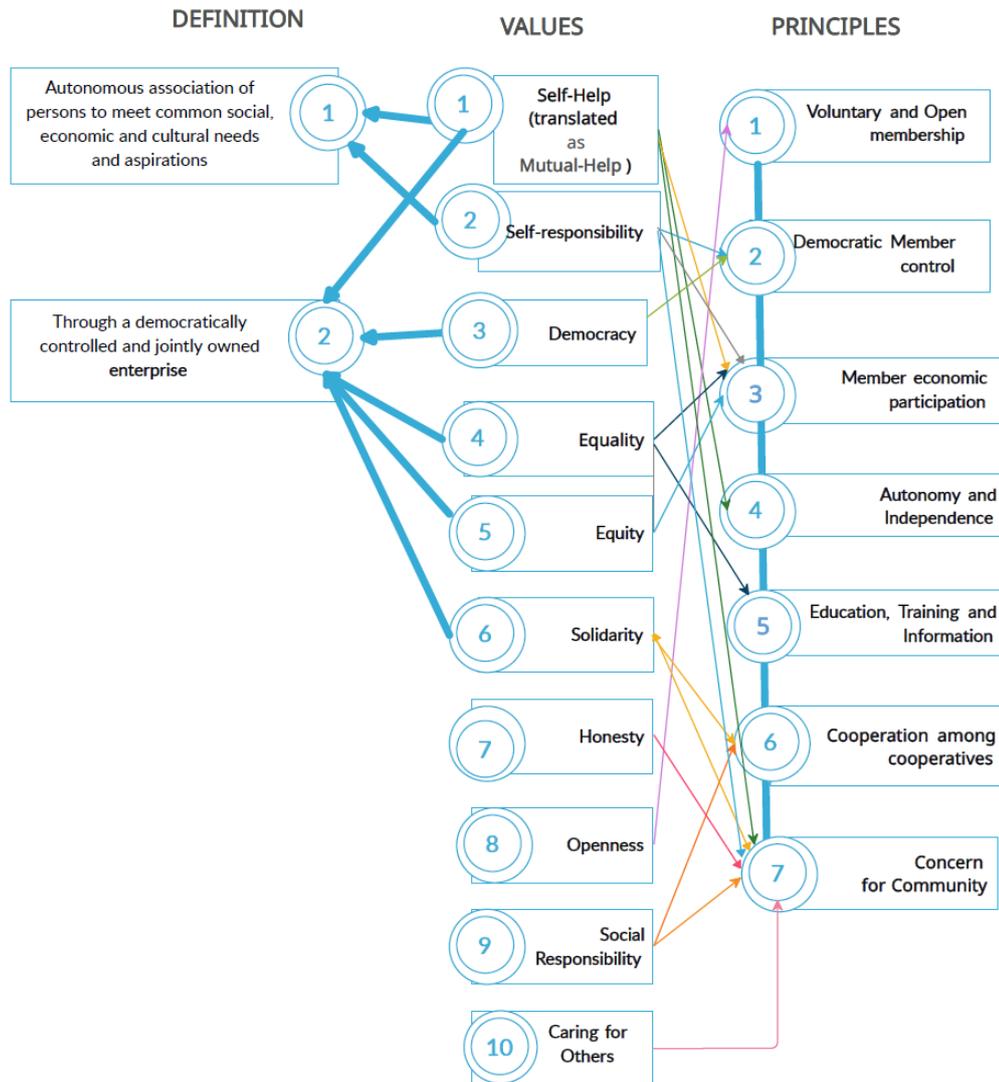


Figure based on :  
 1) MacPherson, Ian (2012) *What is the end purpose of it all? The Centrality of Values for Cooperative Success in the Market Place*, in: Battilani A & Schröter H.G. *The Cooperative Business Movement, 1950 to the Present*; Cambridge: Cambridge University Press  
 2) International Cooperative Alliance (2015) *Guidance Notes on the Co-operative Principles*; Brussels: ICA

**QUESTIONS:**

1. Is the list of cooperative values—self-help, self-responsibility, democracy, equality, equity and solidarity—complete? Is there anything missing? Are there any that do not belong? Is their meaning clear? What are their implications for the way cooperatives govern and operate themselves?
2. Is the list of ethical values—honesty, openness, social responsibility and caring for others—complete? Is there anything missing? Are there any that do not belong? What are their implications for the way cooperatives govern and operate themselves?

### 3. Cooperative Principles

**Congress session 1:**  
Examining our cooperative identity

Cooperatives are distinguished from other enterprises by seven operational principles that give expression to the cooperative and ethical values examined above. The term ‘principle’ may lead to confusion, as these are not moral principles, but standards through which the cooperative business model is implemented on a day-to-day basis.

#### 1st Cooperative Principle: Voluntary and Open Membership

**Congress session 1.2:**  
Inclusive governance

**‘Cooperatives are voluntary organizations, 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’.**

This principle has a connection to the ethical value of openness.<sup>14</sup>

Cooperatives do not limit themselves to satisfying the needs and aspirations of a closed group of citizens. A cooperative is meant to be open to all people who can benefit from the services it is intended to meet and who belong to the category of member-stakeholder it has as its mission to serve. Joining a cooperative is voluntary; it is an act of free will and is not legally imposed. The principle precludes any artificial barrier to membership, such as discrimination against racial minorities would constitute, provided the candidate accepts the responsibilities of membership.

This openness towards the outside world, however, is conditioned by certain limitations, in particular:

- the willingness of candidates for membership to accept the accompanying responsibilities;
- the type of stakeholder whose needs and aspirations the cooperative has the mission to meet: for example, one normally needs to be a farmer to be eligible to be a member of an agricultural cooperative;
- the geographical area the cooperative covers: many cooperatives are bound to a specific geographic area, which can vary from the village to an entire country, with some cooperatives having an international membership;
- any inherent limit on the number of persons the cooperative can serve: for instance, a housing cooperative will comprise a fixed number of housing units at any one point in time;
- the pace of the cooperative’s entrepreneurial development: economic development is crucial if the openness principle to be satisfied. The cooperative’s pace of openness must often be controlled if it is to fulfil its mission. In the case of worker

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<sup>14</sup> See graph in part 2: Cooperative and Ethical Values above.

cooperatives, this first principle must be conditioned on the existence of a specific workplace, which in turn depends upon the cooperative's level of development.<sup>15</sup>

With this first principle, we find the first mention of **members** in the *Statement on the Cooperative Identity*. Members are a central element of a cooperative. They are the persons who, in the definition of a cooperative, jointly own and democratically control the enterprise. A member is usually an individual i.e., a natural person, in particular in primary cooperatives, but can also be an organization, in particular, but not exclusively, in higher level cooperatives.

## Diversity and Inclusion

**Congress  
session 2.1:**  
Inclusive  
governance

The 1<sup>st</sup> cooperative principle is closely linked to the issue of inclusion. From the beginning, the cooperative movement has shown inclusion in dealing with the diversity of human society. It has strived to bring together people of different social groups, genders, ages, political affiliations and religious beliefs and to include them within the cooperative.

Although the Rochdale Pioneers explicitly included women as voting members, the 1995 wording of this principle mentions gender for the first time. Although progress from a global perspective has been slow, significant gains have been made in the last decades in advancing gender equality in cooperatives, including access for women and members with diverse gender identities, increased opportunities at work, favourable legislation, protection against all forms of violence and harassment, and support for women's entrepreneurship. Women have, in different places, set up women's cooperatives to overcome discrimination and gain a voice and a place for women. Such cooperatives, where membership is only open to women, do comply with the 1<sup>st</sup> principle as they are established to overcome gender discrimination and meet the common economic, social and cultural needs and aspirations experienced by women specifically. In many countries, they have been an important force for change. The same is true of cooperatives formed within disadvantaged communities or minority groups with the aim of empowering their members to better their material and social circumstances.

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<sup>15</sup> "World Declaration on Worker Cooperatives", referred to in the Californian legislation on worker cooperatives. See [https://cicopa.coop/wp-content/uploads/2018/02/world\\_declaration\\_on\\_worker\\_coops\\_en.pdf](https://cicopa.coop/wp-content/uploads/2018/02/world_declaration_on_worker_coops_en.pdf)

**QUESTIONS:**

1. How well have cooperatives respected this principle?
2. May membership in a cooperative be truly said to be voluntary and open where it offers the only available access to necessary goods and services?
3. Are the limitations cited above on open access reasonable?
4. Have cooperatives fallen behind private, public or charitable enterprises in ensuring equitable treatment and full inclusion of minorities and disadvantaged persons? Have they fallen behind in ensuring the full equality of their women members?

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## 2<sup>nd</sup> Cooperative Principle: Democratic Member Control

**‘Cooperatives are democratic organizations 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 cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner’.**

This principle is linked to the cooperative values of democracy and self-responsibility.<sup>16</sup>

### Voting

The 2<sup>nd</sup> principle specifies that the democratic control by members, which we saw in the cooperative definition above, must be implemented based not on the amount of capital held, but through *one-person-one-vote* procedures in primary (grassroots) cooperatives, while higher level cooperatives can have different democratic arrangements reflecting, for instance, the ratio among the grassroots members.

Multi-stakeholder cooperatives, namely cooperatives with more than one membership group, such as consumers, employees, independent entrepreneurs and legal persons, which have emerged over the last few decades, are characterized by specific arrangements in their bylaws providing for suitable representation of the various stakeholders, e.g., different weighting systems within each stakeholder category.

Regardless of the types of members, a cooperative is controlled by long-term members-stakeholders (producers, workers, accountholders, borrowers, etc.<sup>17</sup>) who change neither identity nor socioeconomic stakes overnight, and whose behaviour is not dictated by the highest possible return on investment, but instead by the aim to meet common needs and create shared prosperity. Thus, the cooperative must generate surpluses and have a long-term strategy to ensure its success within its community, sustainable jobs and sustainable operations.

**Congress  
session 2.2:**  
Entrepreneurial  
networks

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<sup>16</sup> See graph in part 2: Cooperative and Ethical Values above.

<sup>17</sup> See part 1: The Definition of a Cooperative above.

## Checks and Balances

**Congress session 2.2:**  
Ethical value chain management

Democratic control by members is not simply limited to formal procedures in general assemblies, but also includes the separation of powers, as in a modern state, with checks and balances exercised internally. These checks and balances are important in a single cooperative but are also fundamental in secondary and tertiary cooperatives and in cooperative groups, which have more complex structures, as well as in national and international ecosystems of trade and commerce where cooperatives are integrated into global value chains consisting of different types of enterprises and entities, including state owned agencies.

**Congress session 2.1:**  
Taking advantage of the digital age

## Technological Advances

Advances in modern information and communication technologies provide new tools to engage members in the democratic processes of the cooperative. 'Free technologies' have facilitated the creation and circulation of knowledge with collaborative processes of innovation oriented towards developing cooperative solutions. At the same time, due consideration must be given to digital literacy and education in the interests of bridging the glaring divide among countries.

## Members Elected to the Governing Structures<sup>18</sup>

All elected board members are accountable for their actions to the cooperative's membership, at election time and throughout their mandate. According to the 2<sup>nd</sup> principle, cooperative members should hold the board accountable for key entrepreneurial decisions and see to it that continuous democratic renewal, with new candidates standing for elected office, takes place.

This principle also implies that a cooperative's bylaws make provision for the membership to recall and dismiss democratically elected representatives who abuse their positions or fail to fulfil their duties as elected representatives.

However, the 2<sup>nd</sup> cooperative principle does not mean that cooperative members and boards should be involved in the day-to-day business management responsibility, when delegated and entrusted to chief executives and senior managers, under the board's supervision.

## Protection against External Takeovers

Democratic member control, if properly carried out, makes it far more difficult for an external person or entity to control the firm than in conventional enterprises, and impossible through acquisition, unless the enterprise has first been 'decooperativised' (demutualised), or, in other words, once the members have legally and definitively relinquished their democratic control and joint ownership rights over the enterprise.

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<sup>18</sup> Governing structures such as boards, management councils and other governance bodies.

**Congress session 2.1:**  
Inclusive governance

## Diversity and Inclusion

Under the 2<sup>nd</sup> principle, members elected to positions of responsibility in a cooperative should reflect the diversity of the cooperative's membership. Positive action should be encouraged to encourage individuals from under-represented groups in the membership to stand for election to the governing structures.<sup>19</sup>

**Congress session 3.2:**  
Peace and equality

## Conflict Resolution

One of the challenges facing cooperative members in implementing democratic control is to develop a culture that welcomes and encourages debate, and can identify, manage and solve conflict, under the understanding that the occurrence of conflict in a democratic institution is normal.

## Regulation of Democratic Member Control

In most countries, democratic member control is regulated by cooperative legislation. Where legislation is not effective or appropriate, cooperatives need to ensure democratic control through their bylaws.

## Audits

In some countries such as Germany, France and Austria, there are legal provisions for compulsory auditing specific to cooperatives, including an audit of democratic governance processes: this practice considerably helps protect members' democratic rights and ensure that democratic governance stands up to external scrutiny.

### QUESTIONS:

1. Do members of cooperatives take their democratic rights for granted? How can this problem be solved?
2. Do larger cooperatives do enough to stimulate and facilitate the democratic participation of their members? Should the principles speak to this challenge?
3. Have cooperatives fallen behind in ensuring full participation and representation in their governance structures of women and other traditionally underrepresented social groups? Can this principle address the problem?
4. How well have cooperatives whose members are moral rather than natural persons, including secondary and tertiary cooperatives and cooperative groups and primary cooperatives whose members are businesses, respected the principle of democratic control? Is further guidance required?

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<sup>19</sup> Article 21 of the Articles of Association of Cooperatives Europe stipulates, "The board composition should reflect diversity regarding age and gender, ensuring a minimum of 40% proportion regarding gender diversity". In 2020, the General Assembly of Cooperatives Europe adopted a "Charter of Commitments" including a section on gender equality that states: "It is only through the inclusion, participation, cohesion and enhancement of differences that we can proceed on the path of change, which we know is a crucial element in responding to the social and economic challenges that the world is facing".

### 3<sup>rd</sup> Cooperative Principle: Member Economic Participation

Congress  
session 2.4:  
Meeting future  
capital needs

**‘Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.**

**Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership’.**

The 3<sup>rd</sup> principle corresponds to the cooperative values of [mutual] self-help, self-responsibility, equality and equity, the last of which is to be understood here in the sense of fairness.<sup>20</sup>

The key economic concept enshrined in this principle, as stated in the *Guidance Notes on the Cooperative Principles*, is that ‘in a cooperative, capital is the servant, not the master’<sup>21</sup> and that cooperative capital is ‘in service of people and labour, not the reverse.’<sup>22</sup> Indeed, according to the definition of a cooperative in the *Statement on the Cooperative Identity*, cooperative members aim to meet ‘common economic, social and cultural needs and aspirations’, not to remunerate capital.

As stated in the principle, member economic participation encompasses member democratic control of capital, two types of internal capital (the capital contributed by and repayable to the members and the capital that is the common property of the cooperative), and the allocation of surpluses.

#### **Members Democratically Control the Capital of their Cooperative**

The *Guidance Notes on the Cooperative Principles* state that ‘the 3<sup>rd</sup> Principle is mainly a financial translation of the definition of the identity of a cooperative and of the financial implications of the 2<sup>nd</sup> principle – Member Democratic Control.’<sup>23</sup> Indeed, if the cooperative is run as a ‘jointly-owned and democratically controlled enterprise’, its members who exercise democratic control over it necessarily must democratically control its capital as well.

#### **The Two Types of Capital in a Cooperative**

The two types of capital in a cooperative are a) the nominal capital contributed by its members (plus possibly, under some national laws, minority external capital; see below) and b) the capital that is the common property of the cooperative.

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<sup>20</sup> See graph in part 2: Cooperative and Ethical Values above.

<sup>21</sup> International Cooperative Alliance, *Guidance Notes on the Cooperative Principles* (Brussels: ICA, 2015), 30. See <https://www.ica.coop/en/media/library/research-and-reviews/guidance-notes-cooperative-principles>.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

#### a) Nominal capital

Members' contributions to capital can be modest or substantial, depending on the different cooperative sectors and types. As an example, worker-members in some worker cooperatives might invest, by way of financial participation, an amount equal to one year's wages. At the same time, the minimum capital contribution required from members needs to be financially affordable and its payment process manageable. This contribution to the capital of the cooperative qualifies a member for co-ownership in the cooperative.

In order to control democratically the capital of the cooperative, members must own and control most, or at least a clear majority, of its capital. Cooperatives are therefore not listed on the stock exchange, nor can they be in the hands of private equity investors, unless they are first 'demutualized' and thus cease to be cooperatives.

Some national legal provisions do allow for minority participation to the nominal capital of the cooperative by external investors, always subject to the cooperative's general assembly approval, and always below a fixed threshold.

Cooperative members' financial participation is distinct from shareholders' shares in a publicly traded company, as member shares cannot be traded even among the members themselves. The redemption and release of capital to members is thus normally subject to approval by the cooperative decision-making bodies, ensuring that the members that form the cooperative maintain control over its equity.

Members' contributed capital is treated as equity and not as a liability on the balance sheet, because democratic control over capital remains in the hands of the cooperative membership as a collective and not in the hands of an individual member, and because there is little probability of a major turnover of members at any given time.<sup>24</sup>

The provision of the 3<sup>rd</sup> principle that stipulates that 'Members usually receive limited compensation, if any, on capital subscribed as a condition of membership' is aimed at preventing the nominal capital subscribed from devaluating, rather than to enable members to obtain an income from it. Frequently, the rate of interest provided is similar to the rate paid on an ordinary deposit account in a bank. It is justified to compensate members for a loss of value through inflation. In any case, considering that capital in a cooperative is instrumental as mentioned above, any interest received should not constitute a financial motivation, and generally it does not. Instead, financial participation in the cooperative's nominal capital is motivated not by financial interest but by the common needs and aspirations of cooperative members (as per the definition of a cooperative).

#### b) The capital that is the common property of the cooperative

Considering that it is 'jointly owned', the cooperative as an enterprise must have capital that is its common property, and not only nominal capital contributed by members and redeemable when they leave. This common capital takes the form of reserves, which can be financial or converted into fixed assets.

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<sup>24</sup> This was recognized by the International Accounting Standards Board in 2004 with the approval of the IFRIC 2 exception to IAS 32.

**Congress  
session 3.5:**  
Facing crises  
with strength

In cooperatives, the systematic and long-term constitution of reserves that are separate from the nominal capital held individually by members is a fundamental element of financial sustainability, ensuring the cooperative's capacity for economic development and resilience in times of crisis. Reserves have the same importance in all cooperatives throughout the world, of different sizes and scope of activity, regardless of how much of the surplus is earmarked for them.

The importance of maintaining and developing reserves as common capital is fourfold:

- Most cooperatives do not have access to financial markets. While some cooperatives can and do use financial instruments such as the issuance of bonds without voting rights, these financial instruments do not usually compensate for the concrete capital limitation that many cooperatives face, making it fundamentally important to build reserves.
- Second, in order to be economically sustainable, cooperatives need to protect themselves as much as possible from market volatility. Times of crisis usually prove the correctness of this strategy. Cooperative reserves are generally invested in the long-term growth of the enterprise but can also be used as collateral or common guarantee systems when it is necessary to negotiate urgent loans with banks, such as during economic crises. In cooperative banks, the fact that a high percentage of capital is made up of reserves rather than nominal capital from members tends to substantially raise its quality and rating.
- Third, the constitution of common reserves reduces the financial risk for the individual cooperative member, as losses are mainly absorbed by the reserves rather than by members' nominal capital. It makes it possible for members to enjoy limited liability in the cooperative (generally limited to the amount of their contribution to the cooperative's capital), as is the case in most cooperative legal regimes.
- Fourth, by gradually raising the common capital compared to the nominal capital contributed by members, the reserves constitute a fundamental element of economic growth of the cooperative, and, considering the cooperative's strong embeddedness in the community, a key contribution to the sustainable development of the community.

**Congress  
session 3.4:**  
Strengthening  
the community

The 3<sup>rd</sup> cooperative principle also foresees the possibility that part of the reserves 'would be indivisible'. Indivisible reserves are assets that can never be redistributed to members, even in case of dissolution of the cooperative. The indivisible reserves are not necessarily locked assets (and usually aren't), and can instead be used for any purpose, such as investment in the growth of the business or even cash-flow in case of need.<sup>25</sup> Under an indivisible reserve regime, if the enterprise is closed down, its

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<sup>25</sup> Indivisible reserves are seen more commonly in countries with Civil law traditions than in common law jurisdictions. Legislation in places such as France, Italy, Spain, Portugal, Argentina and the Canadian province of Quebec makes such reserves mandatory. Legislative trends have seen a requirement for indivisible reserves spread to other parts of the world including, in recent years, California, Greece and Japan. The US Department of Agriculture has also been actively promoting indivisible reserves. See B. Reynolds, "Indivisible Reserves – some see unallocated equity as a way co-ops can help fortify their future", *USDA: Rural Cooperatives* (May/June 2013): 12-15.

reserves, if there are any after payment of any outstanding debt, are usually transferred to a federation, a cooperative development fund or a similar institution promoting cooperatives. For this reason, they are generally submitted to a favourable tax regime.

Indivisible reserves are a powerful deterrent against fraud as well as demutualization and external take-over attempts. Indeed, the external acquirer needs to convince cooperative members to renounce their democratic control power through a general assembly decision. Even when this happens and the enterprise has been demutualized and sold, the acquirer cannot claim possession over such reserves.

Indivisible reserves also confer an additional level of stability to the common capital of the cooperative, and thus also an even more solid contribution to the sustainable development of the community.

Indivisible reserves provide us with another fundamental clue in the underlying rationality of cooperatives, which are seen as belonging not only to their present members, but also to their future ones. Indeed, since a cooperative is a long-term economic entity whereby actual and potential members straddle generations, its membership should be seen as spanning generations as well.

### **Allocation of Surpluses**

Since the members are the co-owners of the cooperative, they are also the co-owners of the surpluses the cooperative generates. The surpluses of a cooperative may be allocated to reserves, to members in proportion to their transactions with the cooperative, or to other purposes approved by the membership. The ratio between these different destinations is under the members' democratic control, within the limits of cooperative legislation, which can provide minimum ratios for some of them.

#### a) Part of the surpluses allocated to reserves

Considering their importance, the reserves we examined above are one of the key destinations for the surpluses.

#### b) Part of the surpluses allocated to members in proportion to their transactions with the cooperative

Part of the surplus is normally allocated to members, but according to a totally different mechanism than shareholders' dividends, as it is not based on the remuneration of capital, but on the transactions that take place during the year between the member and the cooperative.

What are these transactions? They are the ordinary financial exchanges that take place between the member and the cooperative. They can be of three different basic types:

- **Sale** of goods or services to or through the cooperative by members such as farmers or artisans;
- **Purchase** of goods or services from or through the cooperative by members such as consumers, patients, credit holders, electricity users etc;

- **Remuneration** by the cooperative to members for the work they contribute to it, as in the case of worker-members.<sup>26</sup>

Each of these three types of transaction between the member and the cooperative (sales, purchases or remuneration) is made based on previously defined financial values. The allocation of year-end surpluses to members makes it possible to provide an upward adjustment to this financial value, and thus to provide members with the fairest possible financial value for the transactions they have had with their cooperative during the year.

It should be underlined that the allocation of surpluses to members is not compulsory. Cooperative members can jointly decide not to redistribute any surplus, either temporarily or permanently. This is often the case, for example, in social cooperatives.

c) Part of the surpluses allocated to other activities approved by the membership

In a number of countries, part of the surplus is earmarked for specific funds, like an education and promotion fund in Spain. In some cases, part of the surplus is earmarked for a fund common to a wider network of cooperatives, like in the Mondragon group. Cooperatives may also choose to allocate a portion of the surplus to a specific fund that contributes to the local community or to social causes, giving effect to the 7<sup>th</sup> principle (see below).

## **Final Considerations**

As we have seen, the 3<sup>rd</sup> principle establishes the instrumental role of capital in a cooperative, in accordance with the mission of cooperatives, which is to meet members' 'common economic, social and cultural needs and aspirations'. It extends the 2<sup>nd</sup> cooperative principle of democratic member control to the field of capital and financial management. It establishes two types of capital in a cooperative, the nominal capital contributed by members, and the capital that is the common property of the cooperative and is constituted by reserves. It provides guidelines on how surpluses should be allocated, indicating two main destinations—the reserves and the members in proportion to their transactions with the cooperative—, plus any other allocation that may be decided by the members. It introduces the concept of indivisibility for part of the reserves, that part being never shareable among members, even in case of dissolution of the cooperative.

These provisions provide the main financial guidelines to ensure cooperatives' financial sustainability and resilience, in compliance with the other components of the cooperative business model as expressed in the *Statement on the Cooperative Identity*.

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<sup>26</sup> These three basic types of cooperative member (producer-member, consumer member and worker-member) have been formally recognized by the ILO 20<sup>th</sup> Conference of Labour Statisticians through the first-ever "ILO Guidelines Concerning Statistics of Cooperatives" (October 2018), [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms\\_648558.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_648558.pdf).

**QUESTIONS:**

1. Do the provisions respecting member financial participation adequately address the capital needs of cooperatives at all stages of their development (i.e., start-up, growth and development, maturity)?
2. Should indivisible reserves, which offer an effective defence against attempts at demutualization, be more strongly emphasized?

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## 4<sup>th</sup> Cooperative Principle: Autonomy and Independence

Congress  
session 1.5:  
Partnerships  
with  
governments

**‘Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy’.**

This principle is linked to the value of [mutual] self-help.<sup>27</sup> It defines the relations between a cooperative and government or any other entity with which it could enter into an agreement. It cautions cooperatives not to put their independence and member democratic control at risk by entering into agreements that could compromise the cooperative’s autonomy.

### Relations with Governments

The 4<sup>th</sup> principle clarifies that cooperatives are non-state actors, even when they have agreements with public authorities, such as contracts for the delivery of public services.

When a cooperative is seen as a para-public type of entity, it is often the result of confusion between the concepts of ‘public’ and ‘common’. Despite their *common* character (democratic control, joint ownership, common needs and aspirations, common capital, collective stakeholder approach), cooperatives are not public but fully-fledged non-public enterprises enjoying complete autonomy and independence from the state: they can have strong partnerships with the public sector, but they must not be confused with it.

The essential role of government in promoting cooperatives while respecting the principle of cooperatives’ autonomy and independence is clearly expressed in ILO Promotion of Cooperatives Recommendation, 2001 (n° 193), which states that ‘Governments should provide a supportive policy and legal framework consistent with the nature and function of cooperatives and guided by the cooperative values and principles’ (paragraph 6) and makes the case for cooperatives being ‘treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organisation’ (paragraph 7.2.).

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<sup>27</sup> See graph in part 2: Cooperative and Ethical Values above.

ILO Recommendation 193 further states: ‘Governments should introduce support measures, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as is possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions’ (paragraph 7.2).<sup>28</sup>

The 4<sup>th</sup> principle requires that, where government policies promote the delivery of services by cooperatives in particular economic sectors, or support job-creation and poverty-alleviation activities by cooperatives, such support should be provided in a way that preserves the autonomy and independence of the cooperative.

**Congress session 2:**  
Strengthening our cooperative identity as competitive advantage

The last few years have seen increased examples of partnerships between government and the cooperative movement, according to the concept of co-creation. This type of relationship fully maintains the autonomy and independence of the cooperative as an actor in its own right and shows that such autonomy and independence are compatible with a high degree of cooperation with public authorities. The principle of an effective and equal partnership for the advancement of cooperatives between government and the cooperative movement is elucidated in the 2001 United Nations guideline A/56/73 aimed at creating a supportive environment for the development of cooperatives, including institutional support, research and information, the provision of finance, and law and policy making.

**Congress session 4.2:**  
Accessible health and social services

The growth of social cooperatives, which arose first in Italy, is a manifestation of the cooperative movement’s mission to respond to people’s needs by delivering services of general benefit (health, education, social services, etc.) and providing employment for the disadvantaged. For this reason, the principle of autonomy and independence is further emphasized in the case of social cooperatives: they often have a strong interaction with public authorities in the delivery of services of general benefit, as set out in the *World Standards of Social Cooperatives*<sup>29</sup>, which complements the *Statement on Cooperative Identity* for social cooperatives.

### **Raising Capital from Other Sources and Dependence on Another Enterprise**

**Congress session 2.4:**  
Meeting future capital needs

The 4<sup>th</sup> cooperative principle also requires that cooperatives avoid the dangers of capital from external investors, or effective control over a cooperative’s business being exercised through compliance obligations, which can lead to the ceding of control from members to external persons or entities.

### **The Role of Cooperative Organisations**

Cooperative *organisations*, namely organisations federating, serving and representing cooperatives, which have been formally recognized by ILO Promotion of Cooperatives Recommendation, 2002 (n° 193), have a key role to play in promoting compliance with the 4<sup>th</sup> principle by ensuring that governments establish legal and regulatory frameworks in which cooperatives can flourish while maintaining their autonomy and independence.

<sup>28</sup> [http://www.ilo.org/dyn/normlex/en/?p=1000:12100:0::No::P12100\\_ILO\\_CoDer193](http://www.ilo.org/dyn/normlex/en/?p=1000:12100:0::No::P12100_ILO_CoDer193), clause 7 (2).

<sup>29</sup> [https://www.cicopa.coop/wp-content/uploads/2017/12/World-Standards-of-Social-Cooperatives\\_EN-1-1.pdf](https://www.cicopa.coop/wp-content/uploads/2017/12/World-Standards-of-Social-Cooperatives_EN-1-1.pdf).

**QUESTIONS:**

1. Does the principle as stated adequately recognize that public authorities intrude on cooperatives' autonomy as often by legislation and regulation as by the terms of the legal contracts they enter into with cooperatives?
2. Do the pressures of the marketplace compromise cooperatives' autonomy and freedom of action as much as the legal agreements they enter into? Can the 4<sup>th</sup> principle address this challenge?

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## 5<sup>th</sup> Cooperative Principle: Education, Training and Information

**Congress session 1.3:**  
Educational opportunities

**'Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation'.**

This principle is linked to the cooperative values of democracy, equality and solidarity.<sup>30</sup>

Together with the 2<sup>nd</sup> principle of democratic member control, education is one of earliest cooperative principles, as established in the United Kingdom by the Rochdale Pioneers. Cooperative education also played a fundamental role in the growth of cooperatives in other traditions, such as Raiffeisen in Germany, Antigonish in Canada, and Mondragon in the Spanish Basque Country. Education was and remains a driver of cooperative growth. The willingness to share experiences and learn from earlier successes, setbacks and failures are major factors in the size and diversity of cooperatives in today's cooperative movement.

The 5<sup>th</sup> principle is first of all aimed at helping cooperative members understand the cooperative identity in its various components and learn to apply them in today's fast-changing world.

There are three distinct concepts in this 5<sup>th</sup> Principle: education, training and information:

- Education is about understanding the cooperative identity and its standards and knowing how to apply them in the day-to-day operations of a cooperative business. It also encompasses wider cooperative education through the regular educational system.
- Training is about developing the practical skills that members and employees need both to run their cooperative in accordance with efficient and ethical business

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<sup>30</sup> See graph in part 2: Cooperative and Ethical Values above.

practices and to control their cooperative democratically in a responsible and transparent manner.

- Information is aimed at making sure that the general public, ‘particularly young people and opinion leaders’, know about cooperatives and the benefits they bring to society at large. It captures the information the cooperative’s members need in order to exercise democratic control over their enterprise, as well as the information and knowledge exchanged among cooperatives.

### **Education, Training and Democratic Member Control**

The 5<sup>th</sup> principle is essentially connected to the proper implementation of the 2<sup>nd</sup> principle. Indeed, the possibility for members to exercise effective democratic control over their enterprise requires that they be properly trained to shoulder the responsibility of running a business, to make strategic decisions in general assemblies and elected boards, and to understand the evolution of their business.

It is fundamental to understand that a cooperative is a type of business in which ordinary citizens have a unique chance to become fully trained in shouldering entrepreneurial responsibilities and in being involved in economic democracy. Members of a cooperative are, as we saw in part 1 above on the cooperative definition, ordinary stakeholders such as farmers, fishers, consumers, etc. Even though they are not all familiar with ordinary enterprise management, they must occasionally make difficult entrepreneurial decisions. Therefore, the only way in which democratic member control can be assured effectively in cooperatives is to invest strongly in training and education for ordinary members.

The 5<sup>th</sup> principle thus requires that member education be accessible to and inclusive of all members, especially those groups of members underrepresented in the cooperative’s democratic structures.

It is equally fundamental, under the 5<sup>th</sup> principle, that elected representatives acquire the necessary skills and knowledge to enable them to make decisions in the long-term interests of their cooperative and its members, while abiding by the cooperative business model. This principle extends to managers and employees of cooperatives.

### **Students’ and Children’s Cooperatives**

Significant potential for cooperative education lies with cooperatives of students and children. Across the world, cooperative education through such cooperatives goes beyond providing a learning experience about cooperation: it imparts the skills necessary for job creation and income generation through the development of new cooperatives and stimulates the formation of a pool of future cooperative leaders. University and school cooperatives in Japan, Republic of Korea, Malaysia, the Philippines and other Asian countries, as well as Canada, Finland, Germany, Spain and many more countries, are also proving to be a source and training ground for a new generation of cooperative leaders in the formal education space, with cooperative experiments being undertaken in semi-formal and informal education settings.

**Congress  
session 1.2:**  
Inclusive  
governance

## Cooperative Education in the Formal Educational System

A current challenge facing the cooperative movement is how to deal with the recognition of cooperatives in curricula in elementary and secondary schools and universities, which has declined in several parts of the world with cooperative courses being shut down, and grown in some other countries, like Argentina and Brazil.

ILO Recommendation 193 states that ‘National policies should notably promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society’ (Paragraph 8. (1) (f)). Cooperative *organisations*, namely organisations serving, promoting and representing cooperatives, have an important mission in making this policy statement come true.

Young people everywhere have to adapt their economic thinking to today’s competitive world. The cooperative movement in many countries has contributed to the development of teaching and learning about cooperatives for young people through the formal education system and through voluntary education and training.

Throughout the world, cooperative colleges have played an important role in helping develop managers with appropriate cooperative skills. In recent decades, higher level programmes, such as master’s degrees in cooperative management, have created opportunities for emerging leaders of different cooperatives to come together, and share their ideas and experience both in person and online.

The 5<sup>th</sup> principle requires that providers of specialist cooperative education and training, such as cooperative colleges and departments of cooperative studies within institutions of higher education, be further recognized and promoted, with stronger networks and consortia between cooperatives and education providers. Research on cooperative business and education, law, and the history of the movement should be promoted, supported through public funding.

The predominance of other business models in business education makes it even more vital to promote the cooperative business model through education.

### Information and Communication

The 5<sup>th</sup> principle also requires that information on cooperatives be disseminated through the media, and cooperative organisations have a particularly important role in this regard.

**Congress session 1.1:** A strong cooperative brand

In order for cooperatives to adapt to today’s world, the 5<sup>th</sup> principle requires that cooperatives develop communication strategies adapted to the new opportunities for improved communication. It also requires approaching opinion leaders as a key target group to be addressed through the dissemination of information about cooperatives, including cooperative economic data and statistics.

### Information and Communication Technology

**Congress session 2.1:** Taking advantage of the Digital Age

The development of advanced information and communication technologies (ICT) provides new opportunities for the delivery of cooperative education, enabling

innovative programmes and resources to be delivered to large numbers of cooperative members. It makes it possible for learners to seek information and develop knowledge at any time and wherever access is available.

On the other hand, the rapid advance of ICT in the global digital economy creates an important new set of issues linked to information that need to be addressed from the perspective of the cooperative identity. In particular, there is a potential conflict between the sharing of members' digital data within a cooperative or among cooperatives and the members' individual right to data privacy.

How can cooperatives best access and use member data, and in particular the data produced by members in their interaction with devices and digital platforms, for the development of cooperative enterprises? Cooperation entails the sharing of common objectives. Shared data has significant potential for cooperatives to better meet those common objectives in all sectors, especially in the timely development of new products and services.

The sharing of data between the members and the cooperative for social purposes and mutual benefit can be expedited if the cooperative's members have expressly given it the right to use and enhance their data as well as to share that data with third parties. This could generate enormous social and economic value by merging data that is being acquired by cooperatives every minute, creating the potential not only for greater efficiency of enterprises throughout the cooperative ecosystem but also a completely new way of understanding system mutuality.

When a cooperative member's digital data becomes a valued asset useful in achieving a common objective, how do the current cooperative principles and values apply?

### **Cooperative Education as a Stimulus to Innovation**

**Congress session 2.5:**  
Entrepreneurial innovation

Cooperatives have a proven record in innovation, particularly organizational innovation, e.g., the inclusion of various stakeholders in the ownership and control of the same enterprise through organization of multi-stakeholder cooperatives, but also in financial and sustainable product innovation, e.g., innovative forms of capital and financial instruments. This innovation capacity is indissociable from cooperatives' strong efforts in education, training and information, and their inter-cooperation in developing centres of research, science, and inventions, and as seen most recently in software and alternative currency systems.

### **Funding of Cooperative Education**

Education and training by cooperatives themselves should be financed through the cooperative movement's own resources, supported by tax exemptions, as a task of cooperative representative organisations, in partnership with the government.

### **Inclusion and Social Transformation**

**Congress session 1.2:**  
Inclusive governance

Cooperative education also goes in the direction of a knowledge-based society that generates, processes, shares and makes available knowledge, and that encourages life-long learning with a view to building a culture of civic participation, solidarity and social transformation.

Cooperative education within the cooperative is not only about enterprise management. For example, we find participative educational activities launched by consumer cooperatives on food and health. These examples are about educating people to fully shoulder their responsibilities as specific stakeholders (consumers, fishers, etc.) and as fully aware and responsible citizens, and about developing a sustainable, inclusive and peaceful future for all.

**QUESTION:**

1. Is the scope of this principle too broad? Not broad enough?

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## 6<sup>th</sup> Cooperative Principle: Cooperation among Cooperatives

**‘Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures’.**

This principle is linked to the cooperative value of solidarity and to the ethical value of social responsibility.<sup>31</sup>

From their early days in the 19<sup>th</sup> century, cooperatives from the same country and in different countries started to work together. They have gradually established national apex organisations to unite and represent cooperatives. In the economic sphere, the Cooperative Wholesale Society (CWS) was established as early as 1863 as the first large secondary cooperative among UK consumer cooperatives, and many other secondary and tertiary cooperatives and cooperative groups have been established since then across the world. However, it was only during the 1960s review of the cooperative standards that this principle was explicitly formulated.

The 6<sup>th</sup> cooperative principle refers to a wider cooperative movement to which individual cooperatives belong and contribute, namely an open and dynamic community of people. It suggests that, while cooperatives can achieve much individually, they achieve much more when they work together in a continuous fashion to create economies of scale and build common representative strength. The integration of cooperatives is fundamentally aimed at strengthening the primary structures and it must always serve the interests and needs of the members of primary cooperatives.<sup>32</sup>

The implementation of this process takes time, resources, and democratic procedures, namely the application of the 2<sup>nd</sup> principle (democratic member control) at another

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<sup>31</sup> See graph in part 2: Cooperative and Ethical Values above.

<sup>32</sup> ILO Promotion of Cooperatives Recommendation 2002 (No. 193), in paragraph 6 (d), states, while enunciating the features of a balanced society as one comprising a strong cooperative and mutual sector and other social and non-governmental sectors, that cooperative policy and laws must be consistent with the values and principles and should facilitate the membership of cooperatives in cooperative structures responding to the needs of cooperative members.

level. It requires parity and an environment in which no one person or group dominates the process. It also requires reciprocity, as effective cooperation involves mutual benefit, taking into consideration that, in the lifecycle of individual cooperatives, there are times when they need support and other times when they are capable of providing it.

Cooperation among cooperatives reinforces and extends on a larger scale the mission of cooperatives of meeting people's common economic-social-cultural needs and aspirations through democratic entrepreneurship and of having a strong impact on the economy, society and the environment. It is key to creating an economy in which the production and distribution of goods, services and knowledge, and knowledge-based outputs, is undertaken through mutual self-help and in the interest of the communities in which cooperatives are situated.

We should distinguish between the two main applications of this 6<sup>th</sup> principle, namely cooperation among cooperatives in the entrepreneurial field, and in the representation of cooperatives' interests.

### **Cooperation among Cooperatives in the Entrepreneurial Field**

**Congress session 2.3:** A strong entrepreneurial network

The 6<sup>th</sup> principle enables cooperatives to create economies of scale and scope among themselves, through an array of mutualised entrepreneurial support instruments and horizontal groups among them, that are democratically controlled by them, in the fields of financing, training, consulting, marketing R&D etc., allowing them to become mainstream economic actors in the globalized economy.

**Congress session 2.4:** Meeting future capital needs

In some countries, cooperatives have successfully created mutualistic and solidarity funds elaborated to pool financial resources among cooperatives through which new and weaker cooperatives receive the financial support and technical assistance they need.

**Congress session 2.4:** Ethical value chain management

Cooperative-to-cooperative trade can be promoted when cooperatives collaborate entrepreneurially to promote shared economic goals. This includes common purchasing and supply chain contracts with other cooperatives, which benefits both the supplier cooperative and the purchaser one. Among the successful examples of cooperative-to-cooperative trade, we find the relationships between agricultural cooperatives and consumer cooperatives and the role cooperatives are having in developing the fair-trade movement and ethical value chains.

### **Cooperation among Cooperatives in Representing Cooperatives' Interests**

In terms of representation of cooperatives' interests, the cooperative movement has managed to gradually put in place federative systems, with national, continental, and sectoral structures with one global umbrella organization, the International Cooperative Alliance (ICA), established in London in 1895 as the representative association of all cooperatives. With its 317 members in 110 countries, in turn representing 789 million individual cooperative members (out of over 1 billion cooperative members existing worldwide), the ICA is the largest civil society member-based organisation in the world, while having consultative status to the UN Economic and Social Council and general consultative status with the ILO.

**Congress session 1.5:** Partnerships with governments

Cooperative representative organisations act as advocates on behalf of cooperatives in their dealings with governments and regulators, as hubs to share knowledge and resources, and as support institutions serving cooperatives independently and collectively. They are fundamental in establishing a relation of partnership and co-creation between the cooperative movement and the public authorities.

ILO Recommendation 193 calls on cooperative *organisations*, namely organisations representing cooperatives, to ‘establish an active relationship with employers’ and workers’ organizations and concerned governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives’. Cooperative organisations usually focus on an array of fields such as development, education, provision of services and advocacy. They also help to ensure that cooperatives are treated as fairly and equitably as other forms of enterprise in national legislation and policy, while obtaining the recognition of their distinctive characteristics.

The fact that cooperatives declare support for each other as stipulated in this sixth cooperative principle does not mean that they necessarily help each other *directly*. Indirect support to the wider cooperative system is a common practice among cooperatives, including very large ones, through federation fees, contribution to development funds, sharing of know-how, etc. Cooperatives act in this fashion to help develop the cooperative movement.

**Congress session 1.1:**  
Cooperative brand

A practical application of the 6<sup>th</sup> Principle at the international level includes disseminating the shared cooperative identity by using the international cooperative marque to brand cooperatives and the DotCoop Internet domain name.

#### QUESTIONS:

1. The 6th principle is normally interpreted to include cooperation among cooperatives within the arenas of trade and business development. Should this be made explicit?
2. Should cooperatives favour other cooperatives in their procurement activities?
3. In some places, cooperatives contribute systematically to the development of new cooperatives at home or abroad through grants, loans, guarantees, contributions to cooperative development funds, the provision of expertise and like support. Should this practice be generalized and incorporated within the 6<sup>th</sup> principle?

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## 7<sup>th</sup> Cooperative Principle: Concern [in French ‘*engagement*’, meaning ‘commitment’] for Community

‘Cooperatives work for the sustainable development of their communities through policies approved by their members’.

**Congress session 3:**  
Committing to our cooperative identity and bringing about positive and lasting change in the world

The 7th principle, first adopted at the 1995 Manchester Congress, is grounded in the cooperative values of [mutual] self-help and self-responsibility and in the ethical values of honesty, openness, social responsibility and caring for others. Social responsibility, in particular, expresses the essence of the 7th principle.<sup>33</sup>

The successful implementation of the 7th principle by individual cooperatives is fully dependent on how one characterizes sustainable community development. The *Guidance Notes on the Cooperative Principles* address this by reference to the 1987 report of the United Nations World Commission on Environment and Development titled ‘Our Common Future,’ commonly known as the Brundtland report. The report defines ‘sustainable development’ as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’

**Congress session 3.4:**  
Strengthening the community

Members create cooperative enterprises based on needs. It is thus natural that cooperatives express concern and care for the communities they serve. The larger the presence of cooperatives in a community, the higher the chances of their having a direct impact on sustainable community development, given that members oblige themselves to exercise a concern for their community through their own policies on a sustainable future.

The *Guidance Notes* further suggest that the wording of the 7<sup>th</sup> principle makes evident the link between local community concerns and the global concern for sustainable development—in other words, that local community decisions regarding sustainable development can have a global impact. In fact, cooperatives have made significant contributions to each of the 17 United Nations Sustainable Development Goals and will continue to do so.

It is important to recognize the further wording of the 7<sup>th</sup> principle that the actions taken by cooperatives are ‘through policies approved by their members’. As locally owned and controlled enterprises, the membership itself determines the cooperative’s focus and priorities. This focus may vary based upon the type of cooperative—worker, consumer, producer or multi-stakeholder—as well as the economic and social circumstances prevailing within a specific community.

**Congress session 3.1**

**Congress session 4.2**

**Congress session 2.1**

**Congress session 4**

**Congress session 3.2**

The *Guidance Notes* point out that the 7th principle speaks to multiple socioeconomic issues:

- The gravity of global environmental problems
- Access to health care and other essential services
- Open-source IT software, especially in the banking and insurance sectors
- Collaboration with other organizations on meeting the UN SDGs
- Promoting global peace and social cohesion
- Helping to build civil society

<sup>33</sup> See graph in part 2: Cooperative and Ethical Values above.

Other areas that could potentially be encompassed by the 7th principle are:



Specific ICA Declarations address the importance of widening our understanding of the 7th principle, including the 1992 Tokyo Congress Declaration on the Environment and Sustainable Development, the 2018 Buenos Aires General Assembly Declaration on Decent Work and Against Harassment, and the 2019 Kigali General Assembly Declaration on Positive Peace and Resolution on Cooperatives for Development.

The climate emergency and the challenges of the post-pandemic environment the world is slowly entering suggest the need for an even greater emphasis on sustainable development in all areas of human endeavour. The triple bottom line of cooperatives—economic, social and environmental—makes cooperative enterprise ideally suited to address these challenges, primarily through an expansion of thinking around the 7th principle.

**QUESTIONS:**

1. Does the wording of this principle convey its full scope? Does it convey it strongly enough?
2. Are cooperatives in advanced economies losing ground in the realm of redressing social inequities and promoting sustainable development to other forms of social and solidarity enterprise and forward-looking investor-owned corporations?
3. The cooperative principles do not address the place or treatment of employees of cooperatives. Should they?

## Conclusion

The establishment of the ICA 126 years ago and the sustained strength of the cooperative model are testimony to the relevance of cooperative enterprise, to the resilience of our cooperative identity and to the contributions of cooperatives to their members, their families, their communities and the global community.

The cooperative movement managed to survive and grow through the Industrial Age, the great 20<sup>th</sup> century economic depression, the tragedies of the two World Wars, the high tensions of the Cold War, the financial crisis of the early 21<sup>st</sup> century, co-optation by totalitarian and autocratic governments, repeated crimes against humanity during internal national and international conflicts, and multiple pressures to conform to the practices of the for-profit, investor-owned business model that dominates in most of the world's economies.

Today's ICA represents 317 member organisations in 110 countries who together represent 789 million grassroots members (out of over one billion cooperative members worldwide). It has more members than at any other time in the past, highlighting the growing global importance of the cooperative movement as well as its growing interconnectedness. There is strong evidence that, from the first Industrial Revolution to today, cooperatives have been economically sustainable in most sectors of the economy and continue to place fundamental and evolving human needs at the forefront.

Cooperatives are designed to meet people's common economic, social and cultural needs and aspirations. It should be anticipated that new forms of cooperatives will logically continue to emerge as the socio-economic needs and aspirations of human beings evolve. The *Statement on the Cooperative Identity* clarifies the basic standards cooperatives should follow, making it easier to create new types of cooperatives that abide by these basic standards while having complementary characteristics of their own. The common standards enshrined in the *Statement on the Cooperative Identity* have promoted diversity within unity and are allowing citizens to meet more of their common economic, social and cultural needs and aspirations through cooperation.

The innovation and dynamism of cooperatives are visible throughout the world. With the rapid advance of new technologies and the increasing interest of youth leadership in global issues, we are seeing a new interest in the cooperative model. Youth, as global citizens, are becoming more determined to bring forward actively the subjects of environmental sustainability and the impact of climate change, as well as the importance of addressing inequality and discrimination.

The global COVID pandemic has very strong economic, social and environmental implications, including for the transformation of our global health systems. Our cooperative identity provides the foundation for cooperatives to being strongly resilient and remain effective in the face of the acute economic, social and environmental challenges that we are facing today.

Cooperatives represent the true spirit of cooperation, resilience and solidarity, and are capable of overcoming all types of challenges, transformations and crises. How cooperatives contribute to meeting the challenges now before the world requires us to deepen our own understanding of our cooperative identity.

# Appendix 1

## *ICA Statement on the Cooperative Identity*

### **Definition**

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.

### **Values**

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### **Cooperative principles**

The cooperative principles are guidelines by which cooperatives put their values into practice.

#### **1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organizations, 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.

#### **2nd Principle: Democratic Member Control**

Cooperatives are democratic organizations 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 cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

#### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.

Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

#### **4th Principle: Autonomy and Independence**

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

**5th Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

**6th Principle: Cooperation among cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

**7th Principle: Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

## Appendix 2

# The ICA *Statement on the Cooperative Identity* Cast in a Historical Perspective

### A 151-Year Process of Defining Global Standards for Cooperatives: 1844-1995

#### The First Years

The common standards observed today by cooperatives around the world, as enshrined in the *Statement on the Cooperative Identity*, were arrived at through a gradual process beginning two centuries ago of examining and experimenting with different business and governance practices. A great many efforts were made at forming cooperatives in the early to mid-19<sup>th</sup> century. Almost none survived. Among those that succeeded was the Rochdale Society of Equitable Pioneers, in Rochdale, England. The Pioneers developed a distinctive set of rules, or operational guidelines, in 1844, which were ultimately published in the Pioneers' 1860 almanac.

A fundamental innovation of the Rochdale Pioneers was the insistence on the predominance of persons over capital. In some pre-Rochdale cooperatives in the United Kingdom, the investment capital required to start the enterprise came from non-members, with the result that the societies found themselves distributing their profits mainly to their investors, leaving the members who made purchases in the stores with few benefits. Firmly committed to securing the interests of the members who patronized the cooperative over those of the providers of capital, the Rochdale Pioneers paid limited interest on capital, effectively reducing the incentive for external investors to participate.

Following the entrepreneurial success of the Rochdale cooperative, the Rochdale guidelines were gradually internalized by cooperatives across the United Kingdom as the 'Rochdale Method'. With the formation of the Cooperative Wholesale Society in 1863 as a cooperative of cooperatives (also called a secondary cooperative), many more cooperatives were established on the Rochdale model.

From the middle of the 19<sup>th</sup> century, early cooperators crossed borders and travelled long distances to meet each other and exchange observations and ideas about how to operate their cooperatives. Its sustained business success meant that, as early as the 1860s, the Rochdale cooperative was a popular destination. Meanwhile, cooperators from various countries attended and took part in each other's early national congresses. All of these exchanges were vital to the gradual development of a distinctive cooperative business model based on common operating standards.

The Rochdale standards, initially called 'rules' or 'practices' and later dubbed 'principles', were followed as rough guidelines by cooperatives in different countries but were particularly appropriate for consumer cooperatives, which flourished in the United Kingdom. Contemporaneous with these organisations, cooperatives began to emerge in other business sectors in other countries. These included financial cooperatives in Germany, producer and worker cooperatives in France and Italy, and agricultural cooperatives in the United States and Denmark. It took significant effort for proponents of these different types of cooperatives to define together a common business model.

### The ICA's First Years and through the Two World Wars: the 1937 Revision of the Cooperative Principles

Since its foundation in 1895, the ICA has had the explicit mission of promoting the cooperative principles. In its first years, the new organisation encouraged and facilitated regular dialogue among proponents of different schools of thought and cooperatives operating in different business sectors, who were gradually coming to know each other. The fruit of the ICA's adaptability was a quickly growing membership of mainly European cooperatives, while the quest for minimum common standards at the international level enabled its diverse membership to remain unified through an ever-changing and often challenging international environment. The First World War led to a temporary suspension of contact among cooperatives whose countries were on opposite sides of the conflict, but the end of the war was quickly followed by the vigorous resumption of the ICA's activities.

The ICA and its members maintained the original Rochdale principles untouched until the 1930s. In 1937, after several years of preparation, the principles were formally re-examined for the first time, leading to the adoption at the ICA's 15<sup>th</sup> World Cooperative Congress in Paris of amendments that would make the principles more readily applicable to all forms of cooperatives. This change took place within a tense international environment, marked by the advent of Fascist and Nazi regimes whose ideologies were incompatible with the cooperative model. One result was the exclusion from the ICA for several years of the German, Austrian and Italian cooperative movements.

### The Post-Second World War Cold War and Decolonization: the 1966 Revision of the Cooperative Principles

With post-war decolonization, and despite the Cold War and the tense international relations it engendered, more non-European cooperative organisations joined the ICA and, by the mid-1960's, its members hailed from all continents. The ICA was no longer a mainly European organisation. At the 1966 ICA Congress in Vienna, following a period of extended deliberation, the principles were rephrased to reflect common contemporary practices. It was then that the new principle of cooperation among cooperatives was added.

### The 1995 *Statement on the Cooperative Identity*

Since the previous revision of the cooperative principles in 1966, many more countries had joined the ICA and, by 1995, there was much stronger representation from the non-European world.

The 1980s marked the start of a period of rapid globalisation of the world economy, accompanied by neo-Liberal economic policies, strong economic growth in Asia and structural adjustment programmes in the former European colonies. The fall of the Berlin wall at the end of the decade had profound economic and geopolitical consequences. Focused on adapting to the business challenges these changes brought about, the ICA's members called for an update of the cooperative principles to reflect the new realities.

In its role as custodian, the ICA organized a fresh exploration of the cooperative principles to determine the relevance of the 1966 formulation for the future. The review was launched with a paper by Professor Ian MacPherson, then Dean of Humanities at the University of Victoria in Canada, and included several years of extensive consultation through surveys and questionnaires coordinated by the ICA. In 1995, at the 31<sup>st</sup> World Cooperative Congress, held in Manchester, England to celebrate the 100<sup>th</sup> anniversary of the ICA, delegates adopted the *Statement on the Cooperative Identity*. ICA members in all regions of the world had taken part in its development and, despite their increasing diversity, had been able to reformulate the principles in a way that all agreed properly described the cooperative business model.

## Appendix 3

### Comparative Review of the Cooperative Principles

The table below demonstrates a remarkable constancy in the international cooperative principles, even as the cooperative business model has spread across the world and changed over time to meet contemporary circumstances. Indeed, other than ‘cash trading’, which technological change had rendered obsolete by 1966, the original Rochdale practices have either remained intact or have their echo in today’s principles. A close examination of the changes adopted in 1966 reveals a hesitancy around the ideas of neutrality, autonomy and voluntary membership reflective of the particular geopolitical reality of that era but, with the 1995 revision, these concepts once again found their place. The adoption of today’s sixth and seventh principles—cooperation among cooperatives and concern for community—brought the principles closer to the aims of the earliest cooperators, demonstrating the enduring ideal of a better world brought about by cooperation.

Evolution of the Cooperative Principles			
Recognized Practices (1844, 1845 and 1854)	4 Mandatory & 3 Non-mandatory Principles (1937)	6 Principles (1966)	7 Principles (1995)
1. Open Membership	1. Open membership	1. Voluntary membership	1. Voluntary and open membership
2. Democratic Control	2. Democratic control	2. Democracy	2. Democratic member control
3. Distribution of Surplus in proportion to trade	3. Dividend paid according to business done	3. Distribution of surplus	3. Member economic participation (member contribution to capital, common ownership of capital, limited interest on member capital, distribution of surplus)
4. Payment of limited interest on capital	4. Limited interest on capital	4. Limited interest on capital	
5. Political and religious neutrality	5. <i>Political and religious neutrality</i>	[addressed under voluntary membership]	4. Autonomy and Independence
6. Cash trading	6. <i>Cash trading</i>		
7. Promotion of education	7. <i>Promotion of education</i>	5. Provision for education	5. Education, training and information
		6. Cooperation among cooperatives	6. Cooperation among cooperatives

<b>Evolution of the Cooperative Principles</b>			
<b>Recognized Practices (1844, 1845 and 1854)</b>	<b>4 Mandatory &amp; 3 <i>Non-mandatory</i> Principles (1937)</b>	<b>6 Principles (1966)</b>	<b>7 Principles (1995)</b>
			7. Concern for Community

## Appendix 4

### Suggested Readings

The following list is not exhaustive.

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