



Business Council of Co-operatives and Mutuals

Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

The role of development partnerships in
agriculture and agribusiness in promoting
prosperity, reducing poverty and enhancing
stability in the Indo-Pacific region

February 2016

Cover Letter

The Business Council of Co-operatives and Mutuals thanks the Australian Parliament's Foreign Affairs and Aid Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade for the extended opportunity to make a submission on this most important Inquiry.

The BCCM is the national peak body formed in 2012 to promote the role of co-operative and mutual businesses in the economy and community development of Australia.

The BCCM brings together the entire range of co-operatively and mutually owned enterprises across many industry sectors from agriculture, motoring and retail, to health, housing and financial services. The BCCM engages with government on the benefits of the co-operative business model for building dynamic local economies, sustainable, local employment, community reinvestment and community-generated, self-help solutions to shared needs.

The co-operative and mutual business model is an international model for delivering enterprises in both developed and poorer economies.

The United Nations declared 2012 the International Year of Co-operatives, in recognition of the importance of the co-operative business model in realising economic and social development and alleviating global poverty.

The Food and Agriculture Organisation of the United Nations recognises that co-operatives are important vehicles for reducing poverty and generating employment, and therefore contribute to socio-economic development and, ultimately, food security.

The International Labour Office also promotes the co-operative as an ideal model for rural development in poorer economies because they

- Create opportunity for employment, income generation, and increase the availability of goods and services, all of which also contribute to economic growth, and
- Stimulate performance and competitiveness, as their members are also the beneficiaries.

There is strong evidence of the sector's contribution in the Indo-Pacific Region thus far, and it is hoped that the Foreign Affairs and Aid Sub-Committee will recognize the potential for further dialogue and partnerships to assist in developing agriculture and agribusiness.

Yours faithfully,

Melina Morrison
Chief Executive Officer

19 February 2016

About the Business Council of Co-operatives and Mutuals

The BCCM is the peak cross-sector body for co-operatives, mutuals and member-owned businesses. Its purpose is to promote recognition of the important role of co-operative and mutual businesses in the economy and community development of Australia.

The sector represented by the BCCM is significant to the Australian economy. Including member owned superannuation funds; the contribution of the sector to GDP in 2012/2013 was 7 per cent.¹

¹ "2014 National Mutual Economy Report", Business Council of Co-operatives and Mutuals (2014)

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Co-operatives and mutuals have an important role to play in accelerating the pace of economic growth and in reducing poverty in poor countries in the Indo-Pacific region because of their unique structure and operating principles.

The BCCM is of the view that aid focused on enterprise and capacity building has the greatest potential to alleviate poverty and accelerate the development of the private sector in those countries. Aid programs with this focus not only deliver longer lasting impact, but provide the seeds for exponential prosperity through education and skill transfer to enable a self-sufficient and sustainable future.

There is an existing body of evidence to demonstrate that programs which:

- foster the development of local affordable financial services to communities and
- provide a model and education to enable producers to collaborate

resulting in long lasting sustainable and self sufficient impacts in poor communities in the agricultural sector.

In May 2014 to the Joint Standing Committee on Foreign Affairs and Trade when it inquired into the Role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific Region. The BCCM submission to that inquiry provided extensive detailed information about the contribution and impact of CMEs¹.

1. The contribution and achievement by Australian co-operative and mutual enterprises (CMEs) so far in catalyzing sustainable economic growth.

1.1 Financial services for communities

The Australian CME sector has contributed to efforts to improve development of and access to affordable financial services that contribute to sustainable economic growth. The following are some examples of achievements by the CME sector in meeting the need for responsible and affordable financial services:

- **Myanmar Teacher's Project** – an international collaboration of financial mutual under CUFA supported by Teachers Mutual bank, Queensland Teachers Mutual Bank and Victoria Teachers Mutual Bank . This project provides loan capital to community credit unions that offer small loans to communities for a variety of purposes. The interest earned from the loans pays local teachers' salaries.
- **Credit Union Development Project** – Laos. Ten Australian financial mutual combined to help develop local credit unions to provide affordable financial services to communities and improve financial literacy.
- **Co-operative Bank** – Bhutan. The Australian Community Mutual Group provide capacity-building, expertise and mentoring to develop a co-operative bank and rural credit framework for small farming communities

The efforts of the Australian CME sector are not isolated. Programs by international co-operative and mutual organisations to develop local credit facilities for agricultural communities demonstrate a strong track record and clear link to helping agricultural communities to self-determined and self-manage sustainability².

Co-operatives and mutuals are part of national, regional and international networks linked by the international co-operative principles that require co-operative organisations to provide education about the benefits of co-operation and that urge co-operatives to co-operate with each other. Small co-operatives in poor or developing regions can link in to these networks for information and assistance towards sustainability.

¹ The BCCM submission is at Appendix

² See the program developed by the RaboBank Foundation <https://www.rabobank.com/en/about-rabobank/in-society/rabobank-foundation/about-rabobank-foundation/media-and-publications/youtube.html>

PMCA project from Desjardins Finance https://www.youtube.com/watch?v=cu42uDXjDT0&feature=em-share_video_user

1.2 Co-operative models and training

Co-operatives and mutual are autonomous, private sector organisations, which are controlled by and run for the benefit of their members. They mutualise risks and organise goods and services (typically finance, healthcare and social services) in the interests of their members and provide leverage for individuals (be they consumers, producers or workers) to compete in markets.

As member owned and focused organisations committed to international co-operative principles, co-operatives commit to longer term collaborative strategies, thereby insulating them from the vagaries of speculative capital markets.

Co-operative type entities have the greatest potential to deliver long term, focused benefit to persons in poorer countries through their democratic governance structure that educates participants in sustainability, autonomy and self-and sufficiency.

This potential is demonstrated by the following:

- Improved food security - According to the Global Forum on Local Development, investments which support the establishment and operation of farmer and producer co-operatives have demonstrated success in improving food security and can help to address the imbalance between smallholder farmers and other stakeholders in the value chain.
- Improved rural incomes – Co-operatives increase rural incomes through improved production, access to markets and greater access to food at the local level, building the resilience of poor families and communities and making them less vulnerable to external impacts. Seventy-five percent of Fairtrade goods are produced by co-operatives of smallholder farmers.
- Reduce price volatility - Co-operatives strengthen the bargaining power and livelihoods of small farmers who are less vulnerable to price fluctuations, through working together.
- Effective in reducing hunger - UN Secretary-General Ban Ki-moon said that agricultural co-operatives would be crucial in meeting the Zero Hunger Challenge that he launched at the Rio+20 UN Conference on Sustainable Development in June 2012.
- Provide employment - In Indonesia, co-operatives provide jobs to 288,589 individuals. In Malaysia, 6.78 million people or 27% of the total population are members of co-operatives. In India there are 610,000 co-operatives of all levels with 250 million members of primary co- operatives, covering 98% of all villages and generating 1.22 million direct jobs.

2. The particular roles of agricultural innovation in supporting agricultural development and inclusive economic growth

Innovation in the agricultural sector is not possible without access to finance and the ability to scale in size. Co-operatives are democratic and non-discriminatory enterprises that are open to all persons who can use their services. The power to take in more and more members with a common need contributes to the co-operative's ability to scale up and make a difference. The co-operative sector accounts for a significant share of gross domestic product (GDP) in many economies. Worldwide, co-operatives have more than one billion members, a large proportion of which are in the agriculture sector.

3. Actions and approaches to agricultural development in the region that would promote gender equity, women's economic empowerment and health

"Cooperatives have a history of contributing to equality as well as to economic and social empowerment";
Simel Esim, Chief of the ILO Cooperatives Unit (COOP).

An international survey of 600 respondents jointly conducted by the ILO and the International Co-operative Alliance (ICA) in March 2015 demonstrated the unique effectiveness of the cooperative model in providing women with a dignified way out of poverty, often away from violence and abuse.

Some of the survey findings provide a strong basis for concluding that cooperatives are better than other types of private or public sector business in advancing gender equality:

- 80% of respondents favour the co-operative model over other forms of organisation as a vehicle for securing gender equity
- About two thirds of survey respondents felt that women's opportunity to participate in governance and management is a highly important feature of co-operatives.
- Access to employment is indirectly facilitated by co-operatives in fields such as housing, healthcare, childcare, and eldercare, which provide women with affordable and accessible services that enable them to work.
- Many survey respondents said further support of civil society and recognition by the state would continue to boost women's empowerment and gender equality through co-operatives.
- Survey results indicate an increasing instance of women-owned and women's ownership of co-operatives, especially in financial and social co-operatives in Europe and North America.
- Progress in number and quality of women's participation in and ownership of co-operatives is particularly noteworthy in the agricultural, consumer, and handloom sectors in the so-called global south.
- 50 per cent of respondents nominated member education and training as being vital for co-operatives.

4. The potential role of the CME sector, in driving inclusive and sustainable development in Indo-Pacific agriculture and food value chains

In 1974, RaboBank established the RaboBank Foundation to assist small producers both in the Netherlands and in other regions to achieve sustainability and reduce poverty. Rabobank as a co-operative bank is committed to international principles of co-operation amongst co-operatives and education. During 2014 RaboBank Foundation provided direct help to farmers through developing co-operative organisations for processing and marketing agricultural products and through providing assistance to local financial mutuals.

Through the theme of creating a 'road to self reliance', The RaboBank Foundation provided training and education to 20,000 farmers across Regions in Asia, Africa and South America. Training focuses upon improving the professional and technical skills in farmer co-operatives, as well as agricultural training and building of expertise in managing local savings and credit mutuals. The impact of this program of investing in self reliance through co-operatives is highlighted in the Foundation's 2014 Annual Report³.

³See Appendix 2

There is great potential to replicate the success of programs such as the RaboBank Foundation program by providing education and training in co-operative or collaborative enterprise for agricultural communities alongside the development of skilled local mutual finance frameworks.

The Australian CME sector has significant experience in establishing and managing mutual member-owned enterprises and is well placed to contribute to the planning and development of co-operative enterprise. The Australian agriculture sector is well served by the co-operative model and through this business model has developed a sustainable sector that combines strength, innovation and member focus in a competitive market.