

# Cooperative Development: Enhancing Empowerment through Cooperation

True to its cooperative roots, ACDI/VOCA encourages cooperative development to increase incomes and participation in the global marketplace while also promoting community involvement, joint ownership and transparency in business practices.

By Erin Gamble

The history of cooperatives is a long and fruitful one, and they continue to provide benefits to members today. The United Nations estimates that 800 million people around the world are members of cooperatives and 100 million are employed directly by them. Extremely varied and flexible, cooperatives have membership rolls that range from millions to only a handful. They have been founded by farmers, artisans and credit unionists, among many others.

The work of cooperatives affects innumerable day-to-day lives as it safeguards members from economic, social and cultural woes. Cooperatives have been successful across economic strata because of their community orientation and the appeal of joint-ownership and one-member, one-vote structure. They allow members to gain a larger share of regional and international markets through consolidated marketing and purchasing power that would otherwise be unachievable.



Cooperative members enjoy the benefits of organization, such as increased profits and empowerment.

In line with its historical connection to the American cooperative community, ACDI/VOCA has employed cooperative development as an important economic development tool. It develops community leaders and encourages transparent business

practices and ground-up involvement. In Ethiopia, ACDI/VOCA empowers smallholder farmers to form competitive, profit-oriented and professionally managed cooperatives, leading, among other accomplishments, to sales of specialty coffee to Starbucks (see page 17 for full story) and other lucrative outlets. In Mozambique, ACDI/VOCA's work in developing agricultural cooperatives resulted in over 33,000 newly empowered direct and indirect beneficiaries. In Brazil, under a cooperative development project, 125 ACDI/VOCA volunteers and consultants offered guidance in nearly every field of agricultural production, as well as in marketing, strategic planning, management and development. The organization afforded by cooperatives makes this sort of technology transfer efficient and multiplies its effects.



Throughout the Cooperative Development Program, ACDI/VOCA makes reliable financing available to farmers who might not otherwise be eligible.

USAID's Cooperative Development Program (CDP) is a global initiative that encourages entrepreneurs in developing countries to organize in order to increase their ability to participate in the global economy. One of the program's notable successes is ACDI/VOCA's current project aiding Russian microfinance. Partnering with the Rural Credit Cooperative Development Fund (RCCDF), ACDI/VOCA manages a Russian-American lending program that supports farmers' enhanced access to financial resources and institutions. A fund for financing agricultural credit cooperatives was established under ACDI/VOCA's previous Mobilizing Agricultural Credit (MAC) Program, which, from 1998 to 2004, increased the number of Rural Credit

Cooperatives (RCCs) 12 times over and membership by 50 times. By the end of 2004, through the efforts of MAC and CDP, there were 53,000 members in accredited RCCs.

ACDI/VOCA and USAID, together with USDA, demonstrate through the CDP that lending to Russian private farmers and rural enterprises can be profitable and farmers can borrow and repay loans at market interest rates. A central loan fund in support of rural credit cooperatives was established under the auspices of the RCCDF with starting capital of \$6 million. Loans enable farmers to buy much-needed machinery and add extra workers and land. Without them, many farmers would be faced with stagnation or stunted growth. The popularity of and need for Russian cooperatives is suggested by their sudden profusion: RCCs are located in 22 Oblasts, Republics or Krai, and the total number of RCCs in Russia is 580, of which 205 are members of the Union of Rural Credit Cooperatives.

The impact of cooperatives is often personal. In an ACDI/VOCA-RCC survey, 95 percent of RCC members said RCC loans had helped them increase or maintain their level of well-being. Practically all respondents planned to borrow more money in the future, and two-thirds planned to borrow larger amounts. Member participation was high, with over half taking part in credit cooperative member meetings (many U.S. production credit associations struggle to get a 15 percent turnout).

In order to secure the future of cooperatives in Russia, CDP is advocating legislation to favor agricultural cooperatives while also strengthening a network of cooperative financial institutions, including a national credit cooperative and regional credit cooperatives. In particular, CDP focuses on financing and strengthening support organizations such as the Training and Advisory Center, the Union of Rural Credit Cooperatives and the Inter-regional Auditor's Union of Rural Cooperatives. ACDI/VOCA and its partners, the RCCDF, the Cooperative Credit Training Center and the Union of Rural Credit Cooperative Auditors, will implement a three-year effort to transform the successful Russian-American Lending program into a well-founded, comprehensive and sustainable Russian rural credit cooperative system.

The success of cooperatives depends on their ability to stand on their own. ACDI/VOCA is committed to the sustainability of its efforts in cooperative development and providing technical assistance that teaches skills that will be used long after the CDP has officially ended. Cooperatives are a proven tool for making a pervasive, long-term difference.

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### Global Focus: Cooperative Development Program

With cooperative roots that date back to 1963, ACDI/VOCA remains committed to a cooperative approach to economic development, as manifested in the Cooperative Development Program (CDP). The CDP is a USAID-funded initiative to increase farmers' and entrepreneurs' incomes and encourage participation in the global economy. Under the CDP, ACDI/VOCA provides technical assistance and fosters local, national and international partnerships that can help primarily rural agricultural cooperatives move up the value chain and become sustainable.

