

# **Cooperatives in the Arab World: Reaffirming their validity for local and regional development**

Background paper for the

## **Sub-Regional Workshop on Cooperatives in the Arab States organized by the ILO Regional Office for Arab States Beirut, November 2010**

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### **Executive Summary**

The cooperative movement represents one of the largest membership-based civil society organizations in the world, bringing together more than 800 million people. In 2008, the largest 300 cooperatives were responsible for an aggregate turnover of 1.1 trillion USD. Cooperatives also provide over 100 million jobs around the world, 20 % more than multinational companies. Because of the growing importance of the role of cooperatives in development, the United Nations General Assembly has proclaimed 2012 as the International Year of Cooperatives (IYC) during its 64<sup>th</sup> Session on 18 December 2009. Taking this in mind and as a response to the Member States' demands to promote cooperative entrepreneurship in the sub-region, the ILO Regional Office decided to organize a Sub-Regional Knowledge-Sharing workshop on Cooperatives in the Arab States. The objectives of the workshop will be to:

- a) Provide an overview of the cooperative movement in the Arab States;
- b) Raise awareness among ILO's social partners about cooperatives;
- c) Agree on practical ways to strengthen collaboration between cooperatives and social partners;  
and
- d) Take stock of key achievements and lessons learned and prepare a participatory action plan for cooperative development in the Arab States region.

Although the cooperative spirit and the self-help way of doing business and providing social services has a long history and widespread existence in the Arab world, the formal cooperative structures were introduced in early 1900s. Over the years the cooperative movement has evolved differently and influenced by the cultural values, and therefore, was modeled with the combination of self-help, charity and small business elements.

Cooperatives in the sub-region (Iraq, Lebanon, Jordan, Syria, Yemen and Occupied Palestinian Territories) are known to be part of the civil society, despite strong influence of governments upon their very existence and high degree of dependency and lack of autonomy. At the moment, cooperatives are seen as if they are "hidden" forces for local development, waiting for an action to "uncover" them. Due to this common phenomenon, cooperatives are unable to use their full potential and take greater role and responsibility in development in the sub-region. A general look at their recent history and present-

day picture demonstrates the similarities and communalities both in their problems and remedies to be taken. The following list points out major problems, common in almost all countries in the sub-region, which may be considered to be the main roots of inefficiency:

- State-cooperative relations are very poor and cooperatives are not recognized and treated as part of the private business enterprises.
- Lack of autonomy and independence is the major problem among cooperatives throughout the sub-region, which is diluting the image of cooperatives.
- Number of members is limited and there is no “sense of ownership” among members, due to lack of cooperative education and training.
- Government support services are inadequate to help cooperatives stand on their own feet and work by themselves.
- Cooperatives have no access to finance satisfactorily.
- Cooperative apex organizations are very weak and under the strong influence of governments.
- Donor (and government) dependency: While government dependency among cooperative apex organizations continues, donor dependency started at the grassroots level.
- Gender inequality and low level of participation of women in cooperatives.

Cooperative policy and legislation in the sub-region has, with the exception of the new cooperative law in Palestine enacted in June 2010, not been favorable for cooperative development.

Despite the above-cited common problems and weaknesses, there are successful cooperative ventures in some countries in the sub-region to be looked at closely for replication. Agricultural cooperatives are the most widespread types of cooperatives in all countries, among which production and marketing, agricultural credit, beekeeping, livestock, and olive oil processing can be particularly pointed out. In South Lebanon, beekeeping and olive oil cooperatives are widespread and successful. In Syria, despite their “identity” problems, agricultural cooperatives also seem to be functioning well. In Palestine, despite harsh conditions of Israeli occupation, there are successful olive oil, credit and savings, handicraft production and poultry cooperatives. In Yemen, there are successful fishery cooperatives.

In the sub-region, although cooperatives seem to have a close relationship with trade unions and are considered to be part of the employers, it has not been a successful collaboration with the social partners. From this general description of the situation, one can say that there is much to be done to initiate and build up healthy and sustainable relations and linkages among cooperatives and the social partners, which would in turn have a positive impact on the implementation of ILO’s Decent Work Country Programme.

According to a recent UN report about the progress on MDG1, 40 % of the population in Arab countries i.e. approximately 140 million people live below the poverty line. In addition, there has been no reduction in poverty rates over the last 20 years. Youth unemployment represents more than 50 % of the unemployed population in most Arab countries. This shows the need for well-established and successful cooperative structure in the sub-region, to take greater roles in poverty reduction. Cooperatives are known to be the “safety nets” for poor people around the world, and in the sub-region, they are already proving this fact by working with and for the poor with limited resources and inadequate structures which need to be upgraded.

### **ILO work on Cooperatives**

The ILO has been working since the early 1990s in the sub-region, particularly in Iraq, Lebanon, Jordan and Occupied Palestinian Territories to help member States in preparing new cooperative policy and legislation. The work in Palestine produced expected results with a new and favorable policy and legislation.

At the field level, the ILO has provided technical assistance to cooperatives in the form of trainings and capacity development on management, micro-credit, marketing, accounting, and gender mainstreaming. The Regional Office supports cooperatives as part of its mandate to promote SMEs to create jobs. Special attention is placed on the training of women cooperative leaders in order to strengthen gender equality. The ILO social partners are sensitized on cooperatives using Recommendation 193 and inviting cooperatives in the implementation of DWCP.

The social economy is one of the key factors in the ILO's Decent Work agenda due to its potential for job creation, respect of fundamental rights at work, social protection and social dialogue. Cooperatives constitute part of the social economy organizations in other parts of the world. But in Arab countries, social economy enterprises are in general dominated by foundations and associations established by rich people for charity purposes, and cooperatives are not seen within this basket. There is much to be done to define the concept and scope of the social economy in the Arab world and to strengthen the position and visibility of cooperatives as part of it.

What should be the next step to revalidate and strengthen the role of cooperatives in local and regional development? The following key priorities emerge from the situation described above as milestones towards building autonomous, sustainable and member-controlled cooperative enterprises:

- Creating a favourable policy and legal environment for democratic and member-based cooperative development, using ILO Recommendation 193.
- Remodeling the role of the State to promote cooperatives by providing suitable support services without intervention.
- Institutionalization of cooperative education and training.
- Replication of good practice case studies within and outside the countries.
- Sensitizing the ILO social partners about cooperatives and strengthening the participation of cooperatives in social dialogue mechanism.
- Special support programmes for women cooperatives, including value chain analysis.
- Reaching economies of scale and developing partnerships with the State through cooperative sectoral unions and national federations.
- Developing regional and inter-regional cooperation.

Major conclusions and recommendations of this paper include certain roles and responsibilities for primary stakeholders including governments, the cooperative movement, social partners, the ILO and the donor community. It is hoped that the ILO Sub-Regional Workshop on Cooperatives in the Arab States will bring together the representatives of these stakeholders to discuss an action plan outlining the way forward toward reinstating and sharpening the role of cooperatives in local and regional development.