

## Reinvention of Cooperatives in Post-Conflict Countries

### Concept note

When we as families confront serious problems such as food insecurity in the face of climate change<sup>1</sup> (rainfall variability with effects on flooding and drought), subsequent market instability, inequality in access to land, education and health care, and the exclusion of women from the opportunities that globalization offers, we realize that as individuals we cannot solve them. The power that any one person has is limited. Governments and international aid organizations have helped with resources, but not only have they not solved these problems, many times they have even made them worse. So the need arises for the families in the communities to organize, so that among many people they might strengthen their communities and farms, and in this way better solve these structural problems.

Currently there are a billion cooperative members in the world. In Latin America, there are between 30,000 - 50,000 cooperatives composed of 17-23 million members. Their potential is enormous.

### 1. Problem

If these cooperatives were operating in accordance with their rules and structures, following their original missions, then the problems of food insecurity, climate change, education and health care, land access, gender equity and community would have a greater probability of being resolved. We would then have a stronger and more organized society, with strong institutions and governments.

To the contrary, a good part of cooperativism is in crisis. 104 years ago in 1911, Michels, studying democratic organizations, found that inevitably these organizations become vertical and centralizing again, and their members end up becoming obedient to their leaders, who have transitioned into “bosses.” He called this the “iron law of the oligarchy.” In today’s globalized world, Stiglitz, writing a foreword to Polanyi’s book, *The Great Transformation*, said: “(the book) describes the great transformation of European civilization from the preindustrial world to the era of industrialization, and the shifts in ideas, ideologies, and social and economic policies accompanying it. Because the transformation of European civilization is analogous to the transformation confronting developing countries around the world today, it often seems as if Polanyi is speaking directly to present day issues.” Polanyi studied how European society got into the Second World War with the fascist system. Stiglitz is looking at the situation of the developing countries and he finds a situation similar to what Polanyi was studying: societies with markets being transformed into market societies.

Thus, “Michels’ law”, deeply embedded under the current dominance of market-driven societies, has worsened in cooperatives, many times under the control of internal and external elites, with cooperative and non-member leaders, including managers, given legitimacy and often nourished by international organizations and other institutions.

How can this “iron law of the oligarchy” ruled by the market be avoided, and cooperativism reinvented, a form of organization that is so important for humanity?

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<sup>1</sup> According to the Global Climate Risk Index 2014, using the most recent data between 1993-2012 Honduras was the country in the world most affected by climate change, with Nicaragua 4<sup>th</sup> and Guatemala 9<sup>th</sup>.

## 1. The vision that we have

A transparent and participatory cooperative is a universe where the families learn to cooperate and overcome the structural problems of our times, like those mentioned above. Such cooperatives truly collaborate, contributing to making a society strong and eroding the tyranny of small groups.

We have been accomplishing this on the basis of taking a long term perspective, working with organizations in concrete territories in Nicaragua for various years, combining four factors:

1. Doing studies on the reality of the cooperatives, their problems and alternatives. We do this with the families specifically to “unlearn” together. Principle: knowledge keeps you from walking in the dark.
2. Training at the level of the first tier cooperatives, using as inputs the knowledge obtained from the studies. Principle: learning leads to changes (*metanoia*).
3. Innovation and experimentation on the alternatives. Principle: testing, providing follow up, and putting it into words (systematize) generates new knowledge.
4. Credit to first tier cooperatives. Principle: trusting in people is the foundation of improvement.

These four factors are cultivated with transnational ideas by learning from other cooperatives located in Guatemala, Honduras, Panamá and Colombia. Principle: opening the window to other experiences allows renewable winds of ideas and practices.

Naming these factors is easy, the difficult part is to make them real in the field. The cases that we mention below, including organizations from five countries, express a path laden with potholes, curves, ups and downs, surprises and joys. They all reveal how important an organized society is for dealing with state and market institutions.

## 2. Illustrative Cases

### Case 1. Nicaraguan Cooperative Caja Rural

A bank has taken over international aid resources for the cooperatives. These resources were provided as loans to the cooperatives within a context of crisis (fall in coffee prices, natural disasters), and to help the cooperatives at the insistence of governments and international organizations. These resources in good measure were taken over by local elites who were the leaders of the cooperatives. The bank launched collection efforts based on the law, impounded their offices, and in the end those who had to pay were the members who never received those resources.

Cooperative Caja Rural in Madriz resisted and has been changing. How? 1) They created a change in leadership and change in the management of the cooperative, which implied extra financial and legal costs, as well as being excluded from the national financial system. 2) They collaborated with Winds of Peace Foundation with credit, legal assistance and accompaniment so that the cooperative might build their vision, make their structures operate, and so that it might begin to inform their assembly and respond to the decisions of that assembly. It seems small, but a baby crawls before it walks.

The results are being seen: 1) Improved administration of credit; 2) Collection of coffee harvest and commercialization of coffee in alliance with a private enterprise; 3) Member savings, invested in the good administration of their resources; 4) Increased trust in their own abilities.

### Case 2. Nicaraguan Cooperative Solidaridad

For more than 100 years Germans, British, French and North Americans founded haciendas in Nicaragua in a zone with an excellent microclimate and fertile soils. A revolution brought about agrarian reform and lands being placed in the hands of cooperative members. Yet years later the hacienda system returned, this time connected to a coffee multinational. A small elite, including international and state actors, controlled the leaders of the cooperatives and dispossessed them of their lands. The hacienda is an old institution in Latin America that is the tyranny of small groups, capable of running institutions and organizations to the benefit of the few at the expense of the many.

Cooperativa Solidaridad (in Matagalpa), surrounded by haciendas, survived the plundering. Most of the members are ex-fieldhands and foremen of the haciendas. How have they been able to resist? 1) They produce quality coffee and are located close together and in a protected area; 2) They obtained a niche market for their coffee; 3) They formed an alliance with private enterprises and academic institutions to sell their coffee, perform soil analyses and to buy appropriate inputs depending on the results of those analyses; 4) They shared leadership with strong participation from the economically stronger members; 5) They obtained investment credit so that they might have more autonomy in their negotiations with different companies. It is a cooperative whose members collectively dream that their mothers might be able to die in homes they own, and that their children might be born and grow without becoming fieldhands. What they are achieving seems to be significant, but the hundred year-old hacienda institution should not be underestimated, its lurking presence more persistent than the tectonic plates of the earth.

Results: a cooperative with good administration, stable coffee harvest and sales, good distribution of the fair trade premium, and good credibility as an organization.

### Case 3. Nicaraguan Cooperative Guardianes del Bosque

Environmentalism is a global phenomenon. Climate Change is a reality that concerns all of us. But behind this “window dressing” can be seen hacienda behavior that dispossesses peasant families from their lands, and in doing so, actually negatively influences biodiversity and climate change. These “hacienda” ways take advantage of the traditional environmental myths that include: 1) What is valuable is dense forestation in large areas, with trees on small farms not having significant value; 2) The peasant is a predator of natural resources, while the businesspeople (large land and hacienda owners) love the forest, despite being quick to capture the policy of “payments for environmental services,” allowing them to de-forest, and later re-forest on the condition of being paid significant fees.

How does the cooperative resist? 1) In alliance with the facilitators of WPF, the cooperative pays attention to its own ideas and farm practices, and finds that the birds and the animals are surviving thanks to the fact that they combine forest areas with farm areas that have trees; 2) They have learned that they can make loans and sell coffee, and at the same time promote community tourism with the complementary support of women (members, spouses and daughters of members) organized as a group; 3) They are collaborating with a U.S. university that is studying the contribution of their farms (and their trees) to the oxygen content; 4) Gradually the structures of the cooperative are functioning. It is a cooperative that is on the move, because it has learned from the birds that, if they stay still, the shotgun blast will reach them, and that their chances for survival are greater with movement, and the continued expansion of many trees on the small farms as well as in the larger forests.

### Case 4. Guatemalan Cooperative La Voz

Cooperativa La Voz emerged in a context of war in San Juan la Laguna (Guatemala), evolved with great rotation leadership practices, even though the same army attacked them twice in the 1980s. After some successful years, they suddenly came down with a difficult administrative crisis, being close to bankruptcy. It emerged again as stronger organization.

Results: great physical investment (coffee bar, roasting coffee, coffee export, organic input production, mill processing) and profitable services (coffee bar, coffee export, credit); health clinic for women; great coffee quality (cupping score of 95); greater productivity of organic coffee than the conventional coffee in the municipality. Its success has greatly impacted the whole municipality, not just because of the health care and job creation, but inspiring people with high productive ecological agriculture and with great organizational path as the route for development.

How was it possible to overcome the crisis and then to achieve great results? A profound alliance between the cooperative and other organizations (coffee buyers, donors and state organizations) around the family members and their community could make the difference. Transparent and efficient resource administration was key to get their members' trust and the confidence of international organizations.

Lessons. 1) Leadership rotation contributed to detecting the problem, but it does not prevent it when leaders are not involved in the administration side of the cooperative. 2) The organic agriculture output improved when members realized their knowledge is good but not enough, and so they deliberately open their (cultural) mind to learn on key production issues.

#### Case 5. Honduran associative organization RED COMAL

Associations and cooperatives can organize their production, credit and export their products, but to commercialize their products and add value to their products have been a long challenge. 122 organizations formed the COMAL network so as to organize an alternative market and industrialize some of their products. How was this possible? 1) organizations at the community and municipality level were formed 40 years ago and they could expand their capabilities through COMAL; 2) the combination of community stores, credit and distribution of profit in a sustainable way were the key for making the COMAL network possible; 3) to scale up in a provincial level what was working at the community level was a clear innovative path.

Results: 1) a network of 122 organizations functioning in a very decentralized and connected way; 2) peasants products that have been industrialized (granulated brown sugar, butter, soup, oil, etc) are traded through the store network; 3) ecological agriculture is being applied through those organizations and particularly in well-organized communities.

Lessons. 1) When communities are organized in a sustainable way, they can overcome elite dispossession mechanisms and they can use markets in their favor. 2) When internal despotism is solved and the market of products and capital are domesticated, technological change can be successfully tackled.

#### Case 6. Panamanian Cooperative Esperanza de los Campesinos

La Esperanza de los Campesinos Cooperative emerged 47 years ago. Currently it has 1,235 members, with supermarkets and a coffee roasting industry. It is the unique cooperative of Central America that roast 100% of the coffee collected (4,000 bags). It distributes 40% of their profits through social policies, and 60% directly to their members according to the quantity of their purchase. It is a cooperative that governs the market in favor of their members and several communities.

What explains these results? First, they emerged to overcome social injustice through organizing stores on the basis of systematic saving of their own resources, and thus to sell products below market prices; that mission has been kept for over 47 years. Second, the internal social cohesion (e.g. the wage gap is just 2 to 1, the lowest salary is 50% of the highest salary in the cooperative) and fair mechanisms: strategic decisions made by the general assembly, board of directors and the oversight board, the role of the founders (fundadores) that keep permanent eyes on the cooperative

performance. And third, the economic sustainability of the enterprise side of the cooperative under fair policies: products' prices below the market price + profit redistribution.

Lessons: when the mission of an organization is to face injustice and it is so deeply embedded in the minds of members, they wake up continuously taking care of their organization.

#### Case 7. Colombian cooperative COLEGA

It is an organization located in a war zone, in a country where rural people are rapidly leaving for urban areas, and leaving behind the elderly. It is an organization with great achievements: the highest milk productivity in the country, improved milk quality, less youth emigration to the urban areas. The greatest result: building peace in a war zone.

How were these achievements possible? First, the arrival of an outsider family into the community, a family that, instead of buying all the land from the people, was fully incorporated into the community life, and a family that contributed to organizing a cooperative around improvement in milk production and creating reflective spaces. Second, development of a cattle raising culture in a very innovative way, taking care of cattle in a friendly way, just as conserving community forestry nearby. Third, the full integration of the family into the cooperative life, so that even children at the ages of between 10 to 12 receive a calf to take care of, cultivating in their minds love for agriculture and community life.

Lesson: when very committed urban people get involved with hard working rural people, they organize durable organizations that produce peace and well-being.

#### Conclusions

When cooperatives function properly, they make a real difference in food security, climate change, ensuring access to land, health care, gender equity and community development, even within a global environment of extreme inequality and wealth concentration, as the examples above clearly demonstrate. In short, in contexts where large sectors of the population have felt excluded (often the root of violent conflicts), the cooperative form provides groups of people with work, income, a sense of purpose, a stake in society. And they provide society with a path to a lasting peace.

So the question for post conflict societies is how to tap the potential that cooperatives offer? How can healthy cooperatives be promoted?

First we need to look at the lessons learned from the examples above about what are the keys to a healthy cooperative:

- When they spring from an experience of an unjust situation, and the recognition of the need to be organized to solve their individual problems, i.e. the initiative comes from the members themselves.
  - This self initiative is expressed in the fact that from the very beginning they save, i.e. they self-finance. This does not mean that they do not accept outside funding, but they see the initiative as so important to them that they put their own resources in their effort.
  - They set their own rules in light of the problem they have come together to solve, and make their structures work. It is *their* structure.
- When social change continues to motivate their members:
  - they are able to avoid being buffeted by market forces, but rather are able to manage the market to the benefit of their members
  - They are able to avoid the bureaucratization and technocratization that affect organizations over time, and are flexible enough to change as the circumstances change, to be capable of continuing to recognize and address the real problems of the membership.

- The signs of health in a producer cooperative are when they turn their plots of land (areas with annual crops) into farms (diversified areas with annual crops, permanent crops, livestock and farming), with patches of forest, when the cooperatives are expressions of organized communities.

Now in light of these lessons and examples, what are the keys to supporting cooperatives? What is the best way to “accompany” communities and cooperatives? What does it mean to be an ally of cooperatives?

Perhaps the best kind of ally helps community groups/cooperatives identify the problem that they face but which they cannot solve individually, and helps to recover that sense of collaboration in cooperatives that have lost their way. Such an elevated awareness can re-ignite their self initiative and their sense of working for change. Allies are not simply funders, but resources to helping cooperatives to rethink their structures in light of their problems (strategic planning).

The most important work for allies is listening to the people and helping them shape their own analysis into a response to their situation. The problem in many cases is that this process has not happened, yet people ended up in cooperatives, not out of their initiative and clear sense of purpose, but in response to outside forces, and now if the coop form is going to work for them, they have to rediscover their own analysis, and from there recover their own purposes.

This is the way to avoid and overcome the “iron law of the oligarchy” which derives from hierarchical organizations under market government. The “power of one” is really the power of an organization, the power of an organized community, the infinite transformational capacity of people that come together.

It will be our intention to develop these ideas through the use of panelists from cooperatives from various Central American countries, as well as with development practitioners familiar with cooperative models. The core of the presentation will include the experiences of Winds of Peace Foundation in Nicaragua.