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- Downloads
- World Time
- RI Phonebook
- Calendar
- About Meeting point
- Careers

- Home
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- Departments
- F&A Sectors
- RI Intranet sites
- Research
- Working@Rabobank
- News Archive
- Deals

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Cooperatives help to address global challenges

11 April 2012



Cooperative's ability to address global challenges, including poverty alleviation, food security, climate change and access to finance was broadly discussed by academics and representatives from the United Nations and the World Bank at a conference in Berlin. Rabobank researchers from the Economic Research Department presented their views on the European cooperatives' performance during the crisis.

The conference 'Cooperative Responses to Global Challenges' was held in Berlin on 21- 23 March 2012, in partnership with the UN Department of Economic and Social Affairs, which coordinates the UN's International Year of Cooperatives.



"It is important to invest more in good comparative research into the cooperative model, its design and its execution," said Bouke de Vries, Rabobank Nederland Head of Financial Sector Research. "Policy makers, regulators and the cooperatives themselves can benefit from a better understanding of the merits and drawbacks of the model and the current challenges."

Research on European financial cooperatives shows that the cooperative model has some features, which help stabilise the financial system. These include an averagely high capitalisation, strong customer/ member focus, and long-term orientation. "However, strong governance and risk management remain crucial," said Bouke. "Especially as the local cooperative banks have much autonomy compared with, for example, branches of listed banks. However, this autonomy also represent the cooperatives' strength, which are proximity and the ability to respond directly to local opportunities."

Bouke pointed out there are certain credit unions in Europe, such as Ireland and Greece, which face difficult times due to over exposures to real estate and failures in risk management and supervision. "By contrast the Rabobank and for example also the German Volks and Raiffeisenbanken were successful in maintaining access to funding and capital, and continued to provide credit," he observed. "The successful cooperative banks combine scale and network advantages with doing business locally and they have an effective governance structure."

A global cooperative development bank

The United Nations Secretary General for Economic Development, Dr Jomo Kwame Sundaram highlighted the important role of cooperatives play in striking the right balance between market and community. He gave examples from Europe and the United States, where governments have successfully enacted laws, enabling cooperative growth, thereby contributing to economic recovery during financial crisis.

The biggest challenge in sustaining the plan of action remains to be lack of funding. Dr Jomo claimed, "Renewed collaborative funding efforts among stakeholders should be a priority in the International Year of Cooperatives."

Dr Jomo then advocated the formation of a Global Cooperative Development Bank, in consultation and coordination with the UN, member states and other stakeholders. The bank will set up a credit programme that supports the development of cooperatives worldwide. The model and conduct of this programme should be guided by cooperative values and principles. This will ensure that the incentives for cooperatives to truly remain cooperatives persist, even as they obtain expanded funding.

Helping rural producers in developing countries

The second keynote session on 'Rural Producer Organisation in the 21st Century' was held by Dr Marie-Hélène Collion, Lead Agriculturalist at the World Bank. "We are lacking of high-quality research on the impact of producer organisations on the alleviation of poverty," she observed. "We must invest more in these kinds of research."

One out five projects funded by the World Bank involves producer organisations. From 2004 to 2010, the World Bank has spent USD 3.4 billion on projects targeting to increase market access for small holders, natural resources management (forests, fisheries, rangelands and water for irrigation), agricultural innovations and poverty reduction.

Dr Collion also highlighted the important roles of cooperatives around the world, for income generation, market and credit access and the inclusion of women. "The lessons that can be drawn from the World Bank experience is: successful cooperatives offer professional management and quality services to member, and develop best in a favourable legal and regulatory environment with no or limited political interference," she concluded.

Questions?

Please contact **Bouke de Vries**, Head of Financial Sector Research at Rabobank Economic Research Department.

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