Civil Society, Cooperative Capacity Building and Eradicating Poverty

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Introduction
This paper has been prepared for the Civil Society Forum, Commission for Social Development, The Social Protection Floor Initiative – Bridging the Gap to Poverty Eradication in Collaboration with the United Nations, Division for Social Policy and Development, Department of Economic and Social Affairs for a conference on February 31, 2012. It describes how cooperatives fit within civil society initiatives to eradicate poverty. As well, it suggests a number of subthemes in which cooperatives can and do effectively prevent or alleviate economic and social exclusion. In order to fully understand the potential of cooperatives to regenerate and re-balance economic and social well-being, areas of future research are also identified.

Civil Society Capacity Building and Cooperatives
In looking for solutions it has been suggested that building civil society capacity significantly aids in the fight against poverty and social exclusion. During periods of severe budget cuts, social upheaval, political transitions and significant job loss in both the public and private sectors it is of particular importance. Within civil society, social enterprises, cooperatives and complementary entities build such capacities on both an individual and community level and create opportunities consistent with a re-oriented, sustainable approach to growth and well-being.

Such entities also have a proven track record of creating a structural framework which allows the efficient and effective provision of general interest services, creation of employment, fostering of social cohesion and encouragement of innovation. As well, cooperative businesses, cooperative credit and other forms of social financing (“sustainable finance”) are a key cornerstone in building such civil society capacity, as evident in their pivotal role in numerous local community “clusters” and “districts” that embody sustainability, innovation (both technological and social) and equitable distribution of wealth.

As noted in previous studies, essential to individual and community capacity building is the parallel development of i) enabling policy and legislation; and ii) co-ordination with public and private entities so that there is a coherent, enabling and supportive environment for both individual and collective efforts.

However, the more elusive issue is “How do people and their communities actually build civil society capacity on the ground?”
- What processes and actors are necessary to turn nascent and well-meaning ideas into successful programs, activities and businesses that really do address exclusion, unemployment, lack of housing, health care needs, equal access to technology, credit and education, the situation of the working poor and the newly thrown into poverty?

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2 Grateful acknowledgment is given to Roger Spear of Open University, Caroline Gijselinckx of the Catholic University of Leuven (HIVA) and Giulia Galera of EURICSE for their contributions in developing the ideas herein.
• What builds the social fabric necessary to take on difficult economic, environmental and social issues and find solutions?
• How does social or collective entrepreneurship occur in situations of poverty? What form does it take? What business and other survival skills are needed (for what else is a start-up business but survival through self-help?)? How is effectiveness tracked and measured?
• Most worrisome perhaps is the underlying question “Where will the resources and financing come from?”

Cooperatives have already proven, world-wide, that they do provide an alternative economic and social pathway for addressing these issues.

**Necessity for Alternative Economic and Social Pathways**

Given the disappointing results of public policies in the last decades, research should investigate which prospects there are for fighting poverty more efficiently through cooperative organizational forms. Despite the amount of resources which have been spent, the traditional welfare state has become increasingly unable to cope with the growing phenomena of inequalities and poverty. Social exclusion has become a widespread phenomenon affecting, in particular, specific vulnerable groups. The resulting rising welfare payments and expenses in European and North American countries has aggravated the fiscal crisis of the welfare state and contributed to its legitimacy crisis. Such observation dictates that alternative pathways be sought to help fill gaps left by state and market inadequacies to not only address poverty itself, but also to address the harsh reality (politics aside) that much of anti-poverty policies rely on financing provided by an ever-shrinking base of public expenditure and welfare services.

As an aside though, it is wise to be wary of the global financial crisis as an “excuse” for not effectively seeking measures to eradicate poverty: it is worth noting that poverty rates in Europe were not significantly reduced despite robust economic performance and periods of strong growth during the period from 2000-2008. Yet, due to the financial crises in 2008 and the ensuing and continued volatility of the financial markets, budgetary pressures and various pending crises with respect to debt, attempts to solve poverty and social exclusion issues through state expenditures most certainly will be limited by austerity measures.

Both state and traditional market efforts to provide solutions for poverty, or for those at risk of poverty, appear weakened or unable to deal with such a complex social-economic issue. In addition, the fragile economy will push previously middle and lower income earners closer to poverty, adding to the ranks of the working poor, unemployed and under-employed.

**Capacity Building—not starting from “Zero”**

References herein to “capacity building” do not suggest that such initiative needs to be built from the ground up. On the contrary, civil society activity is already live and well within numerous societies, taking on many guises, from non-profits, not-solely-for profits, cooperatives, associations, work integration centers, social enterprises, local community groups, social groups/movements, advocacy and cultural organizations, etc. Indeed, many of

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6 It is important to note that there is no big difference between EU-15 and EU-25 (thus, the poverty rate is not specifically influenced by EU-enlargement (poverty lines are relative to country) and relative poverty does not covariate with the absolute level of prosperity in the countries. See *Income Poverty in the European Union* -EU 0703019D. [http://www.eurofound.europa.eu/ewco/surveyreports/EU0703019D/EU0703019D_1.htm](http://www.eurofound.europa.eu/ewco/surveyreports/EU0703019D/EU0703019D_1.htm). [www.eurofound.europa.eu](http://www.eurofound.europa.eu).
the participants in these areas have tracked such developments for decades, engaging in empirical and quantitative research, noting that civil society entities (work integration entities, social enterprises and cooperatives perhaps being the most common) have spread and evolved, demonstrating flexibility and adeptness in meeting numerous needs that had been left by the wayside by dominant social-economic models. Non-profits, cooperatives, mutuals and like entities have proven to be more resilient to the financial crisis, maintaining more jobs. Civil society organizations have been able to innovatively create new alternative economic vehicles (enterprises) to combat poverty, realize inclusion, create jobs and provide general interest/social services.

**Special focus on Cooperative Structures**

The kind of growth experienced over the last decades has fostered not only severe inequalities but also extreme volatility and, as such, has resulted in social and economic conditions that threaten progress and well-being. People’s livelihoods have become increasingly dependent on the whims of domestic and international financial markets and their government’s response thereto (such response often not being based on democratic consensus but on pressure from international finance bodies). People have less and less control over their socio-economic lives and poverty is increasingly becoming a way of life for more and more people.

In light of this, while the range of civil society entities is diverse, special focus should be put on cooperative structures (and innovations/adaptations based thereon), due to the fact that they blend effective economic activity (business and job creation and efficient provision of services) with social goals and contribute to social cohesion and inclusion. It is an economic model which is not based on speculation and maximisation of shareholder value, thus allowing investment in people, the environment and the “real” economy. Since short-term results (quarterly) do not dictate business decision making, cooperatives can provide more stability by adopting medium and long term strategies.

Such entities do not have profit as a paramount motive and thus are capable of providing a form of business structure which allows environmental and other sustainable societal considerations to “count” and flourish. Risk sharing and pooled resources for research and development are common features of these alternative economic structures, thus providing sustainable methods of risk management (an important alternative to derivatives based financial products) and spurring innovation. The tendency to adopt more democratic and participative forms of governance and workplace activity is also prevalent in such entities. Social inclusion should implicate participation, that is, the ability to have impact on/income generation and distribution decisions. Cooperatives have traditionally been the economic vehicles of civil society organisations/social movements (workers movements, farmers movements, environment movements, etc.), fulfilling a dual role of providing

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economic stability and equality and building social cohesion through corporate agency, empowerment and capacity building, particularly in times of political and economic transition (e.g. 19th transition to industrialisation and democracy).

“How” to Build such Capacity is the Key Question
What is required now is a deeper analysis of “how” such capacity gets built. Social change (which effectively, anti poverty solutions are) does not occur by “legislative fiat” alone but occurs, over time, within communities. An elegant and sophisticated anti-poverty strategy will yield little if it cannot be translated and put into action on the ground, not only in crowded neighbourhoods or isolated rural areas, but in communities as a whole. (Economic systems ultimately are expressions of value and as such, values are difficult to impose by sleight of legislative hand.)

At the core of this International Year of Cooperatives is the assumption that a new way of building inclusive, sustainable, democratic and equitable economies is possible. The project of building civil society capacity not only addresses deficiencies in public sector provision of services, but alternatively has the potential to create sustainable, adaptable environments, from an economic, social and environmental perspective, embodying a culture of engaging “stakeholders” instead of “dependent recipients” and instilling values of self-help/reliance all the while equipping individuals and communities with the capacity to create and exploit opportunities and meet needs.

Having said that, it is important to be careful and not deny the role of the state or the importance of market institutions. It is not advocated that the state simply “offload” functions such that societal needs and welfare gaps are left to be met by unfunded local communities, charitable sentiments or ad hoc crisis driven solutions. Instead, a like-minded position to that of Stiglitz should be emphasised, where he argues in “Moving Beyond Market Fundamentalism to a more Balanced Economy”, that it is necessary “to find a balance between markets, government, and other institutions, including not-for-profits and cooperatives,” with the objective of building “a plural economic system with several pillars to it”. The inter-relation between such pillars must also be recognised (influenced as civil society entities, social enterprise and cooperatives are by state policy, legal environments and market conditions). However, it is suggested that re-developing/revisiting the function and role of each pillar, and the relation between them, is necessary in order effectively address poverty, particularly in austere times. As well, the re-alignment of strategic policy models to address poverty related issues is aided by being attentive to research that socio-economic inequality and poverty are interrelated.

Civil Society Organisations/Social Enterprise and Cooperatives
“Civil society” can be described as the societal domain within which voluntary associations or associative relations are dominant. The goods that are provided by civil society organizations can be either private (services for members), solidaristic (services for disadvantaged people), or public (services for a broader community). Social capital and public discourse are seen as

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12 Op cit footnote 8.
the often unintended positive externalities of civil society. Social capital is defined as trust, norms and networks that improve the efficiency of society by facilitating coordinated actions and inspiring cooperative behaviour, self-regulation and civility. Public discourse refers to the political side of the civil society, emphasizing the formation of public opinion, collective values and goals, and struggles over related public policies. Cooperative entities are fundamental methods by which to create social capital and public discourse.

In relation to poverty reduction Ibrahim & Hulme (2010) observe a threefold role for civil society: advocacy (fight for the rights of the poor), policy change (call for policy changes in favour of poor people) and service delivery (provide services for poor people at grass roots level). Inherent in the business structure of cooperatives is the ability to fulfil all 3 roles: advocacy and policy change is more effective based on the collective weight of members and service delivery at a grass roots levels for members is the actual business of cooperatives.

Two international collections, amongst others, (Defourny, Develtere & Fonteneau, 1999; Defourny, Develtere, Fonteneau & Nyssens, 2009) present ample evidence of how cooperatives, mutuals, foundations, non-profit associations and other member-based organizations all over the globe, in past and present, bring about social innovation and change. Defourny and Develtere (1999, 2009) argue that these civil society initiatives can only develop when two important conditions are met: a condition of necessity (people discover a need) and a condition of social cohesion (joint interest, solidarity and trust). Cooperatives provide the vehicle for such social cohesion. With the study Social Enterprise: A New Model for Poverty Reduction and Employment Generation in 2008, more evidence was given for this phenomena.

Innovation

In light of economic and social challenges putting extreme pressure on national budgets innovation is a key element in combating poverty and social exclusion as it promises social and cost effectiveness. Innovation can be seen as involving process and/or outcome. Traditionally it is seen as driven by technology, or responding to needs via market-pull. But in addressing social challenges, innovation, often termed “social innovation”, tends to be conceptualised rather differently. While technology can still be important, social innovation is more often about addressing the social needs by building stakeholder relations. In this way new knowledge is co-produced, recognising the importance of local context-specific know-how, which can be tacit, and so ensuring the social innovation addresses specific needs. This research-based, sequential and technocratic model is being challenged by a new understanding of innovation as basically a socially and territorially embedded process, which thus cannot be understood independent of its institutional and cultural contexts. This view on innovation implies an understanding of innovation as a social as well as a technical process, as a nonlinear process, and as a process of interactive learning (Leeuwis, 2004). Schumpeterian perspectives are still relevant but innovation is more likely to arise from local incremental changes rather than disruptive products/processes.

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14 [Dekker, 2008: 4-5].
15 Borzaga, C. and Galera, G. (Bratislava/Liège: UNDP Bratislava Regional Center/EMES, 2008)
Civil society entities innovate by addressing state and market failures (cf Yunus and micro-finance)\(^{18}\), and structures like co-operatives innovate to address social challenges by bringing together weaker stakeholders for self-help. Thus social innovation is enacted by individuals, by groups and by organisations. Social entrepreneurship needs to be broadly understood as involving not only individual social entrepreneurs, but also joint action by groups of disadvantaged to articulate their needs, mobilise resources and in a spirit of self-help, address specific issues arising from their conditions of poverty and social exclusion; in other words “collective entrepreneurship”, including but not limited to cooperatives.

**Capacity Building**

Capacity building can operate both within individuals and disadvantaged groups by building skills, capabilities, and improving access to resources (ref. Steinert and Pilgram, 2003)\(^{19}\); it can also apply at a broader level to civil society entities; but for sustainable innovation and greater social effectiveness, it requires institutional structures so that individuals, groups, organisations and communities have support (e.g. cooperatives, associations that lobby and advocate, etc.) that provide an ongoing basis for sustaining progress.

**Sub-themes—Areas in which Cooperatives can help to Eradicate Poverty**

To impose order on i) the very broad socio-economic subject nature of poverty and the manner in which it is intricately linked to many facets of the economy and a multitude of policy and legislative initiatives; and ii) the numerous civil society activities, forms and functions, various subthemes are put forth in this paper to demonstrate the areas in which cooperatives can play a significant role in building civil society capacity and eradicating or preventing poverty.

**The Subthemes** (each Subtheme is broken into 2 parts) on building individual and community capacity **include:**

1. **Employment:**
   i) **Insertion and integration** as well as quality of work initiatives, equal distribution, working poor, underemployed, precarious positions; and
   ii) **New Developments in employment creation** beyond (or within) traditional fields, etc;

2. **Services:**
   i) **Care services** (child, older people, family, disabled, rehabilitation, etc.); and
   ii) **General interest services** (food supply and distribution, utilities, transportation, housing, legal aid, etc.); and

3. **Resources:**
   i) **Financing of civil society and individual and community capacity** and opportunity (credit cooperatives, micro credit, social investment, community funds, etc.) in which financing entities not only provide credit, but act as catalysts for change and provide a wide array of financial and social services; and
   ii) **Second tier and support entities-enabling environments for capacity building** (associations, federations, networks, local authorities, etc.) which serve to develop knowledge and management capabilities, diffuse innovation/best practices and strengthen linkages to integrate overall civil society organizational capacity as well as participate in lobby and advocacy initiatives.

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In considering these subthemes it is important to consider:

- specific sensitivity of impact on women, children and youth, families, older people, migrants, ethnic minorities, and people with a disability
- identification of accounting/legal/institutional enhancement and/or limitations regarding support of Cooperative/Civil Society capability building
- identification of contribution to sustainability (social, economic and/or environmental)
- innovative features (innovation as technological and social innovation, as product and process innovation)
- analysis of comparative advantage of cooperative entities

Specifically, in the subthemes chosen, the following advances can be achieved:

**Employment**

1 - New Directions in Insertion/Integration

- Work insertion programs and work integration social enterprises (WISE) are well developed fields and thus serve to provide empirical evidence of social enterprise/cooperative success\(^{20}\). Such base can serve as a springboard for research into new areas of cooperative work insertion and the “scaling up” of the same. An important area of research is rural environments, in particular sustainable, local solutions to the issues of food production and distribution, renewable energy and care in the rural community.

- To date, much emphasis has been put on insertion/integration into employment. From a policy perspective, efforts to modernise social assistance have focused on financial incentives to work; however the bigger problem is that there are not sufficient jobs (or people don’t have the training for such jobs) and/or jobs are very low quality such that there is a significant growth of working poor and precarious employment. Although it is often an effective route out of poverty, employment does not provide a guarantee against poverty. A new emphasis needs to be put on the working poor and also on the quality of work initiatives and the role of alternative enterprises in addressing such challenge. Cooperative enterprises address the vicious cycle of the working poor by maintaining more value in the entity (i.e. profits don’t get sucked out by shareholders) which can be leveraged and reinvested and as well allows worker/members to have decision-making powers.

- Work integration initiatives go beyond simply providing employment as they also contribute to developing social integration and building cohesive communities through the process of being embedded in the community and providing local jobs and delivering community services to community members. The effects of work integration initiatives on social cohesion and community building is a collateral area to research that needs more attention.

- Overall, cooperatives generate employment but also address equal distribution and quality of work issues. Further evidence of such employment generation and equality outcomes is needed. As well, a revised method of measuring “success” should also go beyond merely

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counting jobs created. Instead outcomes such as stability, sustainability, prevention of people falling into poverty, quality of life, etc. must be measured.

2 – New Developments in Employment Creation

• Cooperatives are a type of business form which allows innovation to thrive precisely due to its “social” character (risk and resource sharing enhanced by cap on distribution and asset lock, etc.) and thus new jobs in new fields are created (e.g. alternative energy, environmental/ecological startups) or maintenance of jobs in traditional sectors due to innovation (e.g. social farming or cooperatives).

• The diffusion of good innovative practices and the avoidance of re-inventing the wheel in each community is a challenge for civil society entities. As well, the key role played by support structures in networking with other stakeholders, enabling clusters of civil society organisations, building capacity for innovations, and facilitating replications and social franchising (“scaling up”) of innovative initiatives needs to be identified.

• Special emphasis should be put on youth and job creation as youth face an extremely challenging future with rampant unemployment, rising costs and diminished opportunities.

Services

1 - Care (child, elderly, disabled, health, etc.)

• Cooperatives have shown they can deliver services independently of the state effectively and efficiently and often includes volunteer and community involvement. Given limitations on public sectors to meet increasing needs, this capacity needs to be enlarged.

• the ability of cooperatives to be able to contract with the state in the provision of such services is key and thus specifications/processes of tenders are important to examine to enable successful and effective coordination with state entities.

2 - General Interest

• Existing and new areas of services which have significant impact on people in poverty and on the capacity of communities should be focused on. Many such services are taken for granted in non-poverty areas yet, when lacking, inhibit capacities and opportunities. Cooperatives and other civil society entities are making inroads in these areas.

• Areas of study should include how cooperatives are and can be more utilized in: utilities; food supply; housing; transportation; new technologies (and providing access thereto), education, rehabilitation; legal aid, etc. and research how such efforts can be nurtured, scaled up and/or replicated.

Resources

1 - Financing Individual and Community Capacity and Opportunity

• New trends in financing of civil society should be analyzed and identified: micro finance, credit union, cooperative and savings banks, social investment, community funds, social capital networks, finance education, re-investment trusts providing finance, etc.

• Sustainable finance is an important factor in addressing financial (and thus social) exclusion and lifting people of poverty and should be highlighted. Exploring solutions for “unbankable” people. Focus on financing as more than just the provision of credit--financing to aid individual capacity as well as financing to build community capacity and social cohesion.
• The original role of cooperative banks was generation of enterprise and ability to foster sustainable growth along with job creation and social cohesion—cooperative/alternative finance as “sustainable finance”. How social finance is a key cornerstone to sustainable communities should be investigated, referencing successful local community clusters and local production systems as well as new “networks” and roles for social finance. As well cooperative and alternative finance can act as a “catalyst” for socio-economic change and fulfill the need for “patient” capital, risk sharing and financing of innovation without the need for short term shareholder returns.

• Highlight the ability of cooperative financing entities to help both individual and communities cope with, and successful transform their local surroundings in relation to, social and economic transitions that occur on an international and global scale and that otherwise potentially would cause instability, unemployment and put more people at risk of poverty.

• Understand financial legislative frameworks to identify what encourages/inhibits sound policy in support for alternative financial entities, given their past success with helping people and communities out of poverty.

2 -Second Tier and Support Structure Cooperative Entities-Enabling Environments for Capacity Building

• Second tier and support structure entities act as resources and enabling organisations (cooperatives, associations, federations, “umbrella” organizations, networks, etc.) to civil society entities, cooperative and social enterprises and provide important cohesive and organizational capacity and strength in numbers (i.e. advocacy and lobbying) from social, economic and political perspective. Such entities in individual and community capacity building, allow more resources being available to address poverty.

• In particular, the incubation of new cooperative initiatives to provide solutions to those, particularly young people, who have little hope of entering the traditional job market.

• Policies that nurture such Second Tier cooperative entities need to be identified.

CONCLUSION

Cooperative business enterprises are a powerful and useful tool by which to build civil society capacity and to help people out of poverty or to prevent them from entering into economic and social exclusion. It is a business model that has not been fully utilised, perhaps because of a lack of understanding of what cooperatives are, the range of activities they are involved in and their potential for sustainable economic change. More research is needed in the areas mentioned in this paper, most important of all, into how the cooperative business form can actually be put into practice.