Opportunities through Cooperation

Shaping the Future with Cooperatives
A successful business model for more than 140 years: in 1868, 18 winegrowers came together in Mayschoss (Ahr Valley) to form the Mayschoss Winegrowers’ Society. This oldest winegrowers’ cooperative worldwide is one of Germany’s leading wine farms today.
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Greetings

by the Federal Minister for Economic Cooperation and Development, Dirk Niebel, for the DGRV:
“Globalization as an Opportunity”

The core mission of our development policy is the mobilization, both at home and in our partner countries, of all forces in society needed to address the important societal task of “promoting sustainable development worldwide”. Real changes always emanate from within a society. No government can cope with the challenges of internal development on its own.

The sustainable reduction of poverty and structural deficits as defined in the United Nations Millennium Declaration, the strengthening of good governance, ownership and self-help activities in developing countries all require intensive efforts for the inclusion of, and support for, all those working in development cooperation, the mobilization of engagement amongst as many citizens as possible, the strengthening of civil-society initiatives, and also close cooperation with the German private sector. For without a strong civil society, freedom is not conceivable; without freedom a strong economy is impossible, and without a strong economy there will be no reduction of poverty. But it is the latter that is at the centre of activities pursued by the Federal Ministry for Economic Cooperation and Development (BMZ): we aim to fight poverty and its causes in a sustainable manner, and to mobilize and reinforce the self-help potential of individuals. And since sustainable development is inconceivable without inclusive economic development, we plan to involve the business community in the pursuit of these goals much more than hitherto. This is why we support socially responsible corporate governance and development partnerships with the business community, including the German Cooperative and Raiffeisen Confederation (DGRV).

With a history of more than 160 years, the cooperative banks, the agricultural cooperatives, and also the crafts and marketing cooperatives are part of the foundations of the German economy. In Germany, every fourth citizen is a member of a cooperative. Cooperatives therefore form a substantial part of our economic structure, in other words, they stand for “economic activities from within society”.

At 50 years the BMZ is far younger in age, but it has been a partner in development policy and a provider of funds for cooperative development across the globe since the 1960s. It supports the projects pursued by the German Cooperative and Raiffeisen Confederation in Germany’s partner countries because, through its activities for cooperatively organized self-help with a business focus, the DGRV contributes to the building of sustainable economic structures, the maintenance of social peace and the reduction of poverty in all parts of the world and, in so doing, to greater stability of societal structures.
Based on this successful concept and on the ideas of Friedrich Wilhelm Raiffeisen und Hermann Schulze-Delitzsch, the cooperatives have become a major German export product with one particular feature that attracts a great deal of international interest: their members are capital owners and customers at the same time, i.e. cooperatives rely on participatory economic structures. This has also had quite a positive impact during the financial crisis, when cooperatives functioned as a stabilizing factor.

The support for member-based purchasing, production, marketing as well as savings and credit cooperatives enables individuals to earn their own living and to take control of their lives. Saving money in cooperatives and being granted loans is an international success story, including for development cooperation. It is no surprise, therefore, that the United Nations has proclaimed 2012 the International Year of Cooperatives.

From the BMZ’s point of view, two aspects are of particular interest in this context:

- Support for better access to financial resources through savings and credit cooperatives and better access to real markets
- and the resultant strengthening of self-help capacities on the part of the civil society and improved social structures.

In this respect, it is important for us that cooperatives are part of the private sector and of civil society at the same time; they act as businesses and are guided by market-based principles. The DGRV multi-level approach to the development of cooperative structures practises this in an exemplary fashion. By strengthening local initiatives and rendering services focused on target groups, DGRV activities contribute significantly to the development of a country.

For the BMZ, this is a good case in point and an illustration of how to practise “help for self-help” in a concrete manner; it again highlights the goals we share of strengthening the self-help potential of the individual and reducing poverty across the globe. To this end, I should like to wish the DGRV continued strength, determination and success for its current and future projects.

Dirk Niebel
Federal Minister for Economic Cooperation and Development
Foreword

by the DGRV

In many countries, the German Cooperative and Raiffeisen Confederation, reg. assoc. (DGRV) supports the establishment and development of cooperative systems in close cooperation with our national specialized institutions and the entire cooperative organization. In so doing, it contributes to the development and the reduction of poverty in the partner countries and reinforces the commitment of the Federal Republic in the field of development policy.

In line with the cooperative principle of subsidiarity, we are guided by the concept of “help for self-help”. It is only when individuals assume personal responsibility that a sustainable development is ensured at the local, regional and national levels through self-sustaining and business-oriented forms of cooperation and networks.

The United Nations have acknowledged the contribution by cooperatives to economic and social development and secure livelihoods for major parts of the world population by declaring 2012 the International Year of Cooperatives. As important players in our economy and society, we follow in the footsteps of our cooperative pioneers and regard it as our obligation to tackle the challenges of globalization and social structure development in interaction with the partners in the project countries. Organizations of cooperative self-help originally developed in response to situations of hardship and a need to strengthen the individual’s economic position through collective action. Based on their idea of cooperative self-help, Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch laid the foundations for business-oriented and viable cooperatives in the mid-19th century.

The importance of economic cooperation has steadily increased since, and with the advance of globalization in all regions of the world to an even greater extent. The German cooperatives have supported and collaborated with cooperative initiatives in other countries for a long time. The cooperative as a form of enterprise remains as modern and powerful as ever. In Germany, more than 20 million members and a far greater number of customers make use of services offered by cooperatives. We are challenged to adapt cooperative structures to the economic framework conditions which are constantly changing, and to ensure their business viability.

Cooperation must provide benefits for the individual which it would not enjoy otherwise. Cooperatives are based on the principles of self-help, personal responsibility and self-governance. Hence economic benefits for the members must be attained independently and should not rely on the support of third parties or the State. In fact, the latter is called upon to create and maintain a regulatory and legal framework that enables cooperatives to help safeguard the future of individuals in the various countries.

Dr. Eckhard Ott
Chairman of the Board of Directors of DGRV

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President of the National Association of German Cooperative Banks

Manfred Nüssel
President of the German Raiffeisen Federation

Wilfried Hollmann
President of SME Groups Germany
The DGRV Department of International Relations supports the international projects presented in this brochure. This team works in Bonn and in more than 20 countries to enhance and strengthen cooperative structures. In this way, it shares its experience and know-how regarding various fields of promotion of cooperatives and different regions of the world.
Self-help Means to Take the Initiative
Cooperation between individuals for a common goal is not a new phenomenon. Precursors of cooperatives were already known in the ancient world. As early as the Middle Ages, dyke cooperatives were established, miners united into miners’ associations, while farmers formed cooperatives for the common use of forests and land. There are many and diverse forms of cooperation in all regions of the world until the present day. 800 million individuals in more than 100 countries are currently members of cooperatives that provide an estimated 100 million jobs.

How It All Began

In Germany, the modern cooperative system originates in the century before last. While peasants and craftsmen are liberated through the social reforms that ended the division into social orders or classes, most of them still lack both the knowledge and the capital to run a business. Loans are available from private money lenders only - against payment of extortionate interest rates. Many are therefore exposed to new dependencies, losing their homes and farms and their livelihoods in the process.

“I know a part of the country where peasants have nothing on their entire land they can call their own; every piece of furniture from the bed to the oven tools belongs to the money lenders.”

Otto von Bismarck, who later became Imperial Chancellor, about the poverty amongst peasants in the Westerwald region in 1847

Crop failure and the “winter of starvation” of 1846/47 aggravate the situation further. In order to ease the suffering, Mayor Friedrich Wilhelm Raiffeisen founds the “Weyerbusch Bread Society” in the Westerwald. From this charitable society Raiffeisen develops the idea of cooperative self-help. In 1864, he sets up the “Heddersdorf Loan Society” where peasants can open a savings account and are given a credit – an early form of “microfinancing”.

In northern Saxony, Hermann Schulze-Delitzsch, a judge, founds a purchasing cooperative for shoemakers and carpenters in 1849/50 as well as the “Delitzsch Advance Loan Society”. On the initiative of Schulze-Delitzsch, cooperatives are given a legal basis of operation with the adoption of the Prussian Cooperative Act in 1867. Similarly, the Cooperative Act of 1889, which continues to be valid until the present day, is based on his ideas and his preparatory work as a deputy to the parliament, the Reichstag.

These early “advance loan societies” and “loan societies” are precursors of today’s Volksbanks and Raiffeisenbanks, setting the example followed by cooperative banks across the world. Self-help, individual responsibility and solidarity were also the principles applied in agriculture, commerce and trade which led to the successful development of member-based cooperatives.

Since then, cooperatives have stood the test of time as adaptable forms of business. Important factors contributing to their success include a reliable legal framework, the networking amongst cooperatives, cooperative training and advanced training and cooperative auditing, the latter being introduced as early as the 1880s. It still protects cooperative members against loss of their assets, and helps stabilize the cooperative organization until the present day.

As Relevant as Ever

Cooperatives have made a substantial contribution towards the development of decentralized regional economic structures, strong small and medium-sized industries and an efficient agriculture in Germany. To the present day, they are an important and stable factor in our economy and civil society. This is particularly evident in times of crisis. The relevance of the idea of business-oriented and cooperatively-organized self-help in today’s world is also demonstrated by the fact that approximately 600 new cooperatives have been established in the last five years alone.

For the same reasons as in Germany 150 years ago, cooperatives are established in many developing countries: they help individuals to free themselves from poverty.

Commitment for Development

Since its inception in the year 1972, the DGRV has been involved in development cooperation. But the transfer of know-how from German cooperatives to other countries and regions of the world dates back much further. Japan, for example, used Ger-
man cooperative legislation as a blueprint more than 100 years ago. Many other countries followed the example and created a legal framework for cooperatives.

The cooperative organization has always considered international cooperation as a commitment to be acted upon. By supporting cooperatives and their networks, the DGRV contributes to economic and social development, and thus to the fight against poverty.

“Acting together, achieving more!” Cooperatives mobilize development potential: the DGRV provides consultancy for the building-up of cooperative systems and structures in more than 30 countries.

**Cooperation as an Opportunity**

With the 2000 Millennium Declaration, the Member States of the United Nations have set themselves binding goals. First on their list is poverty alleviation. Organizations of the civil society and the corporate world are also called upon to work towards these goals.

Considerable progress has been made in the economic and social development of some countries. Yet a major part of the world population continues to live in poverty. Bad political and economic framework conditions impede further development; moreover, access to both regional markets and the world market is non-existent. The negative impact is felt in the rural areas, in particular, with resultant rural exodus and migration.

Especially micro, small and medium-sized enterprises, drivers of development in other parts of the world, lack access to financial services, markets, technologies and know-how. There is also a lack of legal security, transparent government action and an economic order which offers the same opportunities to all business-minded individuals alike. This requires capacity-building amongst SMEs and greater opportunities for self-employed business people in order to generate employment and income.

**Promotion of Social Structures**

A substantial part of the funding for the international activities of the DGRV comes from the Federal Ministry for Economic Cooperation and Development (BMZ). The Federal Government supports economic and social development and, in so doing, contributes to poverty eradication and security across the globe.

Development of social structures plays an important part in this context. The aim is to improve the living conditions of impoverished groups of the population in a sustainable manner. Self-help policies are important for attaining this aim as well as for business development: at the end of the day, help for self-help is the only option if poverty is to be eradicated for good. This is where the DGRV comes in with its experiences in development cooperation.

Cooperatives and their corresponding networks influence the social and economic structure of a country in a positive manner: in finance, commerce, crafts and agriculture, they are the backbone of business activities in many countries. Driven by local initiative and economic power, they contribute significantly to the development of a country where individuals are both the beneficiaries and actors of their economic activities. Cooperatives are amongst the most viable forms of business; they combine the advantages of decentralized activities and the strengths of regional and national networks.

To this end, the DGRV supports the establishment of cooperative structures for savings and credit, in commerce and agriculture in the partner countries. For many, cooperative banks as well as savings and credit cooperatives provide access to financial services for the first time, especially in rural areas. In addition to small loans, they frequently offer services for savings, the transfer of money and insurances, and also business advice and advanced training. In other words, cooperative microfinance institutions mobilize the potential of individuals locally, and thus enhance development in a very concrete manner.

In the rural areas, cooperatives offer their members access to regional and supra-regional markets and a better income as a result. In crafts and commerce, cooperatives open new channels to markets for procurement and selling. In consequence, cooperatives deliver a high level of sustainability and a large potential for development, also owing to their ownership structure, member participation and integration into networks.
The DGRV Multi-level Approach

Every cooperative needs to operate efficiently for it to be able to provide services for the benefit of its members (Förderauftrag). This calls for certain conditions to be in place.

- In the individual cooperative – i.e. at the micro-level – a consistent business orientation, adequate internal organization and well-trained managers and staff are required.

- In addition, the cooperative must be part of an integrated subsidiarity-based network at the meso-level in order for it to benefit from services provided by specialized central enterprises and associations, such as for training and auditing.

- At the macro-level, the government must create an adequate legal and regulatory framework for cooperative activities.

In its projects, the DGRV provides consultancy and services at all three levels, mostly within the framework of multiannual programmes. In addition, the DGRV reacts flexibly and on short notice to requests from individual countries or organizations. The comprehensive know-how of the entire German cooperative organization is available for DGRV activities of this kind.

“The cooperative model offers a formula of how to enhance innovation and decentralization without sacrificing values such as a sense of community, consensus and shared responsibility. It is a very adaptable formula that may be applied to practically all social and economic areas.”

Kofi Annan (UN Secretary General 1997 to 2006, Nobel peace prize laureate)
Brazil

How Roberio and Gilberto Saved the Bank

Customer orientation, competent staff and support by the DGRV – the success story of a cooperative bank in eastern Brazil

It is 7.30 in Senhor de Bonfim, a remote town in the State of Bahia, when Roberio, president of the “Sicoob” cooperative, opens the small bank in the centre of town. The sun is beating down with the temperature as high as 35 degrees in the shade. Customers are already queuing up. Joking market women, men in dirty, sleeveless shirts, sun-burnt faces; in the air a smell of tobacco, sweat and aracajé, the traditional pastry made of deep-fried bean flour.

Business has not always been going so well for Roberio’s small bank. A few years ago, it was on the brink of collapse, preparations had already been made for its closure. After having attended a DGRV seminar, Roberio came up with the idea of microcredit. It might be the last chance for his ailing cooperative. He persuaded several founding members to contribute some more money and hired Gilberto, a young loan officer, who had experience in microlending.

Microcredits Make All the Difference
Together, they developed products for microbusinesses from the informal sector with few or no collaterals. These customers, who would hardly be allowed across the doorstep in other banks, organized themselves in small solidarity groups following the principle “one for all, all for one”. This made it easier to check their credit worthiness and collect payments so that the handling of smaller volumes also became profitable. It was the turning point for the Sicoob Bonfim. One year later, it reached break-even and has been profitable ever since. The bank’s portfolio is presently made up of microcredits to 75%. Roberio is satisfied: “microfinancing saved us.”

The members are grateful. “I could not get a loan from any other bank”, says Marcia, a cheese monger who has used the cooperative’s services for the last two years. Her life has improved considerably: “I was able to afford a fridge and a second market stand for fresh dairy products and ice cream. We could refurbish the house and send our daughter to university.”

Credit Application by Smartphone
Yet this was when the headache really started for Roberio and Gilberto. Meanwhile, they have capacity problems and the record office is altogether too small. In meeting these challenges, the bank can rely on the support of the DGRV office of Salvador. The example of red tape: an average microcredit file comprises close to 40 pages, while no more than five would be necessary. The job of persuading the banking supervisory authority and the Sicoob centre in Brasilia is left to the DGRV consultant.

In order to reach customers in remote rural areas in a cost-effective manner, the DGRV developed software with which to process credit applications via smartphones and take a decision on the spot. And since many members have no basic business management know-how, the DGRV is preparing a combined training and financing programme in cooperation with the state funding agency SEBRAE. Three steps on the road towards a better supply of credit to the population.

At 6.00 in the evening, Roberio locks up his bank, tired but smiling. It has been a good day.
Paraguay
Financial Services for Small Businesses and Farmers

Paraguay is marked by a large gap between the poor and the rich. 35 per cent of the 6.5 million inhabitants are living in poverty. The economy of this land-locked country is agriculturally oriented, but arable land is not equally divided. Lack of market access and precarious life situations in rural areas cause migration into the cities.

Cooperatives have a long tradition in Paraguay. There are approximately 600 in total, primarily in agriculture and the savings and credit sector. More than a million members, most of them small and micro businesses and farmers, cooperate in Paraguay to improve their economic situation.

In order to be able to improve their members’ situation, cooperatives must be successful in their operations and part of cooperative structures and must have adequate general conditions in place. DGRV consultants therefore work at all levels – with both grassroots cooperatives and federations and cooperative centres such as the central cooperative of savings and credit cooperatives CENCOPAN (Central de Cooperativas del Área Nacional) and the federation of agricultural cooperatives FECOPROD (Federación de Cooperativas de Producción), and also the cooperative supervisory institute INCOOP (Instituto Nacional de Cooperativismo) and the central bank and government agencies.

Comprehensive Areas of Work
For example, the DGRV advises cooperatives in the agricultural and financial sectors on how to modernize and professionalize regulation, auditing systems, accountancy, financial services and the management of cooperatives and their integrated enterprises.

Since early 2011, the 20 largest savings and credit cooperatives have been obliged to apply the financial monitoring system developed by the DGRV. Members of staff from agricultural cooperatives are taught how to use management controlling systems for the purpose of identifying deficiencies as early as possible. Marketing strategies for agricultural cooperatives are developed with the managers responsible.

Staff qualification is another important factor for the success of a cooperative. Together with the Universidad del Cono Sur de las Américas (UCSA), the DGRV therefore offers cooperative management courses in the capital Asunción. More than 600 members of managerial and general staff have so far attended these “Diplomados” courses. They return to their cooperatives better equipped to deal with the work.

[Repayment rate of 97 per cent. The savings and credit cooperative Medalla Milagrosa opened a microfinance centre in 2010 to provide advice to clients from crafts and commerce. The cooperative is part of a microfinance network consisting of 12 savings and credit cooperatives. The DGRV microfinance team assists in the development of the underlying concept and trains the workforce of the cooperative, especially as regards credit assessment. In addition, borrowers are offered business management courses. So far, the volume of microcredits granted exceeds 10 million US dollars – at a repayment rate of more than 97 per cent!]
Networks

Transnational Transfer of Know-how

All over Latin America, savings and credit cooperatives are growing and the number of members is increasing. That said, large parts of the population have not yet access to the formal financial sector; or if they have, it is at a high cost because of usurious interest rates, for example, and with limited services.

Cooperatives have an important function in this part of the world. They offer adequate and affordable products to their members and customers. Their decentralized structure enables them to reach out to the people in remote regions as well where banks are non-existent. Especially small and micro entrepreneurs and farmers can finance investments through cooperatives.

Colombia: The first “plástico” in their lives. It is the Colombian Government’s declared objective to expand the formal financial system. Since 2006, the DGRV has been cooperating with the central cooperative VISIONAMOS in Medellín which has approximately 300,000 members. VISIONAMOS is licensed to operate a payment system for savings and credit cooperatives.

The system reaches precisely those who had no prior access to the financial sector. With the VISIONAMOS debit card, many customers have a “plástico” in their hands for the first time in their lives – and find it far less expensive than the normal fees. No one is forced any longer to carry around large sums of cash to pay electricity or telephone bills. Cashless payments are not only safer but save time as well – time now available for their regular work.

DGRV experts also advise the savings and credit cooperatives which participate in the debit card business of VISIONAMOS. The tools used for this have originally been developed in Ecuador and Chile – an example of the sharing of know-how within the DGRV transnational network.

The DGRV is increasingly working transnationally in Latin America, for example in the exchange of knowledge between cooperatives. Whether it is the management information system, tools for internal controlling or external auditing, scoring of micro credit or consumer credit risks or guidelines for corporate social responsibility (CSR), developments in one country are shared with cooperatives and their members in the neighbouring countries. Practised solidarity of this kind is a major asset of the cooperative model.

This is also true for special-subject conferences. The DGRV and CEMLA, the regional association of central banks based in Mexico City, organize an annual conference on cooperative regulation and supervision, for example. Participants come from cooperatives, financial supervisory authorities and central banks from across Latin America.

International accounting standards are increasingly important for the economies in Latin America. The DGRV supports the federations in their lobbying activities for a “cooperative-friendly” implementation of these accounting standards and in the preparation of the relevant guidelines.

South-South Cooperation

An important part of the DGRV approach is greater South-South cooperation and regional exchanges. Study tours to neighbouring countries are organized, for example, and seminars are held across countries in order to learn from the experience of the others. Owing to the common language, there are many examples of such fruitful exchanges in Latin America, in particular. Meetings are regularly held between managers of savings and credit cooperatives from various countries.

The expert knowledge developed in the project countries is also in demand in other countries. In Mozambique, for example, cooperative experts from Brazil provide advice for the building-up of cooperatives and their structures. This tripartite form of cooperation is in the process of being institutionalized through an agreement between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the DGRV, the Brazilian and Mozambique partners and the Brazilian development agency ABC.
Central America

Mexico, El Salvador and Nicaragua: Cooperatives –

Small traditional paper-making business in Mexico
Only a quarter of the population has access to financial services in Mexico and El Salvador. This is also low in comparison with other countries in the region — only Nicaragua is even worse off at five per cent. From its project office in Mexico City, the DGRV provides consultancy and support for cooperatives in Mexico, El Salvador, with Nicaragua added recently.

Mexico’s financial sector is largely dominated by few banks. They classify their corporate and private clients on the basis of solvency. The operations are highly profitable, but deprive most people and small businesses of access to the financial system. The situation is particularly serious in agriculture: only four per cent of the enterprises have access to financial resources. As little as 1.4 per cent of the lending volume in Mexico goes into agriculture and only every fourth community has a local branch of a bank.

El Salvador: new branches in the rural areas. The 32 cooperatives affiliated to FEDECACES with their 60 branches offer loans, savings accounts, payment transfer and insurances for more than 250,000 members and customers in the rural areas. Since 2008, 16 new branches have been opened in areas where no banking outlet existed before.

During the prolonged civil war in El Salvador, savings and credit cooperatives faced great difficulties because the ruling oligarchy regarded them as a disruptive factor for their own operations. But their importance for the country’s development is certainly no longer in doubt. The DGRV cooperates with the FEDECACES Group with the aim of building up a professional system of federations and network structures for the affiliated cooperatives. In addition to consultancy, the group carries out liquidity equalisation and settlement of payments through a cooperative central bank, offers auditing, training and microinsurance business. The DGRV also supports FEDECACES in its strategic planning and the training and professionalization of staff.

In Mexico as well as in El Salvador and Nicaragua, savings and credit cooperatives often provide the only access to financial services for the poor. Unlike the banks, cooperatives are anchored locally and regionally and are obliged to serve their members. In fact, agriculture and small businesses have traditionally been the backbone of cooperative activities.

An Opportunity for Small Businesses and Agriculture

Cooperatives enable small craftsmen, businessmen and farmers to develop economic activities and take the situation into their own hands. However, for this to be achieved cooperatives must be sustainable in their business operations, i.e. professional, with effective governance rules and a prudent management in place. For the DGRV, consultancy is of high importance in this context.

In addition, the DGRV gives advice about how to modernize the cooperative system and provides training for both the workforce and the members of cooperatives, or their federations and national centres, respectively. It also organizes seminars on auditing, anti-money laundering or banking supervision and supports cooperatives with specific data processing tools such as the DGRV early warning system called “Alerta Temprana”. And in Mexico, DGRV experts help formulate the law concerning the regulation of credit and savings cooperatives’ activities.

Managing Risks

It is indispensable for the stability and growth of financial cooperatives that risks be managed efficiently. Early warning systems are the first component in this process. Such systems help identify abortive developments at an early stage and the necessary countermeasures can then be taken. Early warning systems are applied not only by the cooperatives themselves but by cooperative federations, deposit protection funds, development banks, ministries or supervisory authorities.

The DGRV has developed ALERTA TEMPRANA for Latin America. It is an IT-based early warning system to assess and interpret key accounting ratios and other relevant data of the cooperative. ALERTA TEMPRANA can be tailored to specific needs and used as a management information system. It can also be translated into other languages.
Worldwide...

DGRV Commitment

Central and Eastern Europe
- Bosnia-Herzegovina
- Bulgaria
- Montenegro
- Russia
- Ukraine

Asia
- China
- India
- Indonesia
- Cambodia
- Kyrgyzstan
- Laos
- Philippines
- Thailand
- Turkey
- Vietnam

Latin America
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Ecuador
- El Salvador
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Uruguay

Africa
- Botswana
- Lesotho
- Mozambique
- South Africa
- Swaziland
We advise on issues such as
- the building-up, organization and management of cooperatives,
- risk management, early warning systems, management information systems,
- microfinance,
- cooperative and banking legislation; banking supervision,
- the processing and marketing of agricultural produce, value-adding chains,
- cooperation in small-scale industry and crafts,
- cooperative auditing systems, deposit guarantee schemes,
- training and advanced training.

We support
- cooperatives and integrated cooperative structures in the financial sector, agriculture, crafts, trade and commerce,
- centralized institutions such as cooperative central banks,
- professionally qualified training and advanced training,
- the development of cooperative auditing systems in cooperation with national banking supervisory authorities and central banks and
- the introduction of framework conditions adapted to cooperatives, for example for banking supervision and cooperative legislation.

We are guided by
- the needs of individuals and the partner country,
- self-help combined with business orientation and
- the development-policy guidelines and concepts of both the German Government and international institutions.

We want
- major sections of the population to take part in the economic and social development of their country,
- the causes and effects of poverty and structural distortions to be eliminated for good,
- self-help and individual responsibility to be reinforced,
- structures to be put in place for a sustainable development.

We contribute by sharing
- our many years of experience in development cooperation,
- our competence rooted in the success of German cooperatives and their history,
- our network of cooperative structures across the world,
- our access to cooperatives in our partner countries.

Our target groups include
- members and customers of cooperatives,
- cooperatives and centralized cooperative institutions,
- policymakers,
- relevant national ministries,
- central banks and supervisory authorities.

Our services include
- consultancy provided by long-term and short-term experts,
- seminars and teaching materials,
- expert opinions and expert studies,
- cooperation with central banks and banking supervision,
- study programmes and practical traineeships inside and outside the country,
- various forms of partnership and cooperation,
- South-South cooperation.
South Africa

The Needlewomen of Nokaneng
Rosina Dikobe does not like to remember the situation eight years ago. She had no job and no money for meals and her children’s education. But Rosina did not resign herself to such a life. Together with other women she founded a cooperative.

The women of Nokaneng, a small village some 100 km from Johannesburg, turned into a full-time job what they had been doing for their families for years – sewing clothes. Their “Retlamegila Sewing Primary Co-operative Limited” has been around since 2003. “We had many problems at the start since none of us knew how a cooperative functioned and how to run a business”, Rosina says, thinking back. “More often than not, there was less money in the till at the end of the month than at the beginning of it.”

This is a problem faced by many cooperatives that were founded after the end of Apartheid. Many collapsed eventually. Not so the Retlamegila cooperative: the seven determined women acquired the necessary know-how in DGRV training courses, from the basics of bookkeeping, calculation and management to potential sales markets. “Today we sew the school uniforms for many schools and also accept private orders. That is enough to make ends meet”, Rosina says with obvious pride. “I am no longer afraid that I won’t be able to send my children to school.”

With projects of this type the DGRV helps improve the economic situation of the black population in South Africa of whom a large majority is still living in poverty fifteen years after the end of Apartheid. Efforts by the government and economic successes have not yet resulted in a more equitable distribution of income. The DGRV advises the Department of Trade and Industry, the National Department of Agriculture and the National Treasury on how to improve the legal framework for cooperatives, including on the amendment of the Cooperative and Cooperative Banking Act, the improvement of registration procedures for cooperatives and the introduction of cooperative auditing. Besides, the DGRV supports bakeries of whom the majority are either family-owned or run by groups organized as cooperatives.

From street child to baker. Kgothso Moseke grew up in a township in Pretoria. Without work, training and hope he was on the verge of slipping into crime. “I was always hungry. The very thought of bread made my mouth water”, he remembers. He finally came to the Self-Help Skills Training Centre in Pretoria, which offers a shelter for street children and where they can also learn a trade. “I immediately got the delicious smell of fresh baked muffins in my nose and thought: that’s it – baking sounds good because I will never go hungry again.”

With support from the DGRV, the centre has built a teaching bakery and trained the trainers. Flour and ingredients are bought collectively through a cooperative initiated by the DGRV. “We learn not only to make bread and scones but how to calculate prices and plan the purchases – everything we need to start a business of our own”, Kgothso recounts enthusiastically. “It is great to be able to make bread yourself. Perhaps I will open a bakery shop with some friends and we will establish a cooperative.”
South-East Asia

Build up Trust

"Conference room" of a village bank in Laos. The DGRV gives advice to these village banks.
Cooperative self-help offers many individuals a way out of poverty. But in the South-East Asian countries of Laos, Cambodia and Vietnam the term “cooperative” evokes historically negative memories.

In all three countries, cooperatives were instruments of political power exerted by the State: in Cambodia under the Khmer Rouge reign of terror, in Laos and in Vietnam under a rigidly planned economy with forced membership in so-called cooperatives. All this continues to have an effect on the people and politics.

Again, the DGRV assists not just individual cooperatives in South-East Asia but helps develop a cooperative structure, i.e. centralized bodies such as federations, cooperative centres and cooperative central banks, in addition to groups and primary cooperatives. At the same time, support is given to adjust existing conditions to cooperative enterprises by advising politicians and public authorities, for example. Time and again the DGRV is confronted with distrust and scepticism in the discussions with partners to which it must respond by informing them that cooperatives, as market-oriented businesses, enable all segments of the population to participate in the booming economies of their countries.

Laos
Support for a New Start

Laos is experiencing an economic boom which is driven by foreign investments and the return of many who fled the country prior to the “revolution”. Cooperatives with their close local ties can improve the competitive position of the rural population, enabling it to profit from the economic upswing.

The “old” cooperatives from the early days of the Lao People’s Democratic Republic were abolished when the market-econom ic system was phased in. The DGRV therefore helps cooperative organizations in agriculture and the financial sector to start anew. The General Regulation for Cooperatives that came into force in 2010 was also drafted with DGRV involvement.

Savings and credit cooperatives and microfinance institutions have been subject to regulation by the Laotian central bank since 2008. This includes one of the country’s largest savings and credit cooperatives at the periphery of the capital Vientiane. The DGRV provides training courses and consultancy for the organization at the bank.

Advisory Services for Village Banks

Across the country the DGRV supports village banks, i.e. small member-based savings and credit societies. In many places, they give a boost to the local economy and improve the situation of the stakeholders. Yet these groups are headed by non-professionals and thus run the risk of mismanagement and loss of deposited savings. A service centre was established in the south of the country in 2010 to improve the advice and services for the village banks. The DGRV also provided training for local staff. This service centre, meant to eventually assume the functions of a central financial institution, is the first step towards a nationwide network in support of grassroots organizations from the cooperative sector.

Similar DGRV activities are organized locally in agriculture where more than 75 per cent of Laotians earn a living. A growing demand for DGRV consultancy arises in connection with important export commodities such as coffee and teak, in particular: farmers are keen to participate much more in these sectors and other German development programmes also show an interest in the cooperative model.

The rice farmers of Sanasomboun become united. August 2011, Sanasomboun District in the south of Laos: 60 rice farmers come together to form the “Sanasomboun Cooperative for Development”. It is the first agricultural cooperative in Laos and will initially handle the marketing of the rice harvest in October. Other services for the members will follow later – with DGRV support. The DGRV has already advised the rice farmers in the establishment and registration of the cooperative.
Cambodia

When Cooperatives Progress beyond “Infancy”

Since the first democratic elections in Cambodia in 1993 government institutions as well as infrastructure destroyed during the decades-long conflicts have been rebuilt. And the social and economic situation of the people is gradually changing for the better. Yet often poverty still prevails, especially in the rural areas.

Given that the Cambodian cooperative system is still in its infancy, DGRV support goes into pilot projects to build up cooperative structures. No more than some 200 primary cooperatives have been registered until now. Potential demand is much greater, especially in the agricultural sector: in 1993, a study by the agricultural ministry counted more than 13,000 informal groups of farmers.

Information on Several Levels

In order to mobilize this potential, the DGRV is cooperating with non-governmental organizations, partner cooperatives and government agencies. This is done by combining support for individual primary cooperatives and advice for the government institutions responsible. Meetings are regularly held on specific subjects in order to create, or help reinforce awareness for cooperatively-organized forms of self-help and market-oriented cooperatives.

DGRV advisory services for grassroots groups include information about existing legal regulations pertaining to cooperative activities, notably the Royal Decree of 2001 that enables agricultural cooperatives to register as a recognized form of business. In cooperation with non-governmental organizations and support from public authorities, the first cooperatives have been established as a reference point and multiplier.

This cooperative is a peppery affair. Kampong Cham province is the land of pepper. More than 6,000 tons of exquisite qualities are harvested here each year. A promising potential for cooperatives! Based on advice from the DGRV, a pepper cooperative was registered in Memot in 2010 to enable members to access export markets. This not only strengthens the market position of individual members, but functions as a model to other farmers of how to market their produce by selling to wholesalers directly and profitably.

Support for Cooperative Networks

Together with the local partner organization Buddhism for Development (BfD) the DGRV currently provides 44 agricultural cooperatives from five provinces with services and training for their members. Eventually, these regional networks are to evolve into formal integrated structures or federations. There is not yet any officially registered cooperative federation in Cambodia, but many cooperatives have become aware of the need for a centralized form of networking. The DGRV supports the further development of these structures through consultancy and an international exchange of experience.

For the sector to develop further, however, a modern cooperative law will be indispensable. This fact has also dawned on the relevant authorities. Since 2010, the DGRV has been advising the agricultural ministry in drafting modern legislation. A first draft has just been prepared with support from an ILO team of international legal experts. The ongoing process is accompanied and supported by the DGRV.

The growing interest and confidence amongst the public is proof of the fact that cooperative self-help is a suitable concept to fight poverty.

Samrith Hun (left) can expect a good harvest. She bought top-quality seeds from her cooperative. The contract is “sealed” by thumbprint.
Vietnam
From Compulsory Cooperative to Service Provider

In Vietnam, the transition to a market economy since the 1980s has also caused serious changes for cooperatives. They had to transform from cooperatives with compulsory membership into flexible private businesses.

That said, distrust against cooperatives is still widespread and dates back to the days of a planned economy and subsequent relentless dissolution of cooperatives. The DGRV seeks to change this attitude: there should be a level playing field for cooperatives in the economic system.

The reform of the Cooperative Act in 2003, in which the DGRV took part, was a first important step in that direction. Since then, cooperatives have officially been granted the status of an autonomous legal form with corresponding rights and duties.

The DGRV supports the transformation of the Vietnamese cooperative sector by providing consultancy, strategy consultations and technical assistance. To this end, it cooperates with the Vietnam Cooperative Alliance (VCA). With DGRV support, this umbrella organization is gradually changing from an organization under State influence into an efficient decentralized service provider supported by its members and guided by their needs.

Training-on-the-Job for Staff Members

The DGRV gives advice to VCA federations in close to 20 provinces, especially in the economic and transportation hubs along the Mekong, the Red River and in the northern mountain provinces. This is also the channel through which the DGRV reaches out to local agricultural, financial and service cooperatives and trains staff members of provincial federations on the job.

Subjects covered in the DGRV forums, workshops and training courses include business management and organizational development as well as business strategy, management and marketing; banking, agricultural production and cooperative audits. Policymakers and provincial and national authorities are regularly invited to these meetings in order to reach the broadest possible consensus about cooperative activities. Not least because of this, cooperative organizations are increasingly being recognized as equal partners in discussions with the administrative bodies and can speak up for their own interests.

But problems remain: there is often a lack of capital for modern agricultural technology; management has neither adequate qualifications nor business creativity; cooperative principles are disregarded and the implementation of the required legal framework is sometimes delayed.

Nevertheless, DGRV activities in Vietnam show visible results: credit cooperatives, also called people’s credit societies in Vietnam, have a growing volume of loans and savings on their books with low default rates. Workshops on marketing and quality management have taught agricultural cooperatives how to align production to markets and demand. This makes it easier for them, for example, to sell fruits to wholesalers, generate reliable earnings and offer their members more services, for example irrigation systems or low-cost electricity.

In the light of these successes, demand for consultancy services by the DGRV and its partners is increasing. Other development organizations also show a growing interest in such forms of cooperation.
Turkey

A Better Future through Cooperation
The Turkish economy has been growing dynamically in most areas during the last 10 years. Yet not all parts of the country have benefited to the same extent; structurally weak areas in the east of the country, in particular, continue to be dominated by small-sized farms. It takes time to create alternative jobs in other sectors and many of the mostly family-owned smallholdings yield a limited income only. Under such conditions, organized forms of cooperation and the transfer of know-how for production and marketing may offer a way forward.

On the initiative of the Turkish Government, the DGRV has been working with cooperatives and other organizations as well as with various government institutions responsible for cooperatives since 2004. The DGRV has been the only international partner involved in the drawing-up of the national cooperative strategy.

Based in the DGRV office in Ankara, a team of German and Turkish experts provides advice to the partners in pilot regions: Kastamonu in the Black Sea Region, in the provinces of Nevsehir, Karaman and Aksaray in central Anatolia and Erzurum in eastern Anatolia. The focus of activities is the establishment of reliable and efficient cooperative structures, this being the only way to reinforce agricultural cooperatives sustainably. Unfortunately, in many parts of the country well-functioning regional cooperative unions are still missing. This is why the DGRV cooperates closely with the agricultural directorates in the provinces to reach out to the local cooperatives. Kastamonu province is the only exception: the DGRV has cooperated directly with the Regional Union of Village Development Cooperatives there since 2005. With some success: in the meantime, the province has become the model for cooperatives in other regions!

**Education for the Village Cooperatives**

The local level is at the centre of activities. Education and training courses for members and board members of village cooperatives provide information about the function, organization and management of cooperatives, for example. In addition, technical know-how is passed on about subjects such as the keeping of animals and forestry. Staff of regional cooperatives and other agricultural institutions also enrols for the advanced training provided by the project. Moreover, multipliers are trained and work as advisory and service staff for the farmers on the ground. Trainers are often employees of partner organizations trained on the job by the DGRV prior to the assignments. As part of the training, participants also share a practical experience of what cooperative principles and solidarity entail, i.e. that everybody needs to contribute to the cooperation – even if only by farmers paying their own travel expenses to attend the courses.

The DGRV practises what it preaches: it stands for the concept of a business-oriented cooperative, integrated into a network of cooperative enterprises and federations. This fact and the reliability of the DGRV are well received by the partners in the field. The latter also profit from the worldwide DGRV experience in building up cooperative systems. DGRV activities are part of the official development cooperation between Germany and Turkey and are funded by the Ministry for Economic Cooperation (BMZ).
Hard cheese? Or rather the soft cheese? Critical female consumers taste the cheeses.
Holstein Friesian and brown cows graze peacefully in mountain meadows; a gentle breeze fills the mountain village with the scent of blooming meadows and wild herbs. Reddish-brown tiled roofs of small farmsteads are scattered across the landscape like colourful dots in the bright sunlight.

The idyllic impression is deceiving. A closer look reveals the signs of poverty amongst the people who are living in these remote areas. Frequently, the villages and farms can only be reached on dusty gravel roads winding up the mountains in narrow serpentines. In winter, villages are often cut off from the rest of the world for days due to the masses of snow. The local people are still suffering from the after-effects of the collapse of the Yugoslav state, the civil war and the economic problems that came with it.

For several years, the DGRV has been supporting the development of these structurally weak regions of Bosnia-Herzegovina and Montenegro by setting up small cheese-making cooperatives. These “pilot cooperatives” are intended to demonstrate how the rural population can improve their living conditions through small businesses organized as cooperatives.

A Secure Income at Last

In the meantime, some 750 smallholdings, most of them from rural mountain areas, use the opportunity of processing the milk from their often tiny farmsteads in small cheeseries which are jointly operated. Otherwise many of the dairy farmers, very often women, could hardly sell their milk. Now, they are paid for the milk on time. Approximately 3,000 individuals and their families thus generate a steady, secure income for the first time.

The potential is huge: many tiny and small farmsteads produce milk not only from cows but sheep and goats. Cooperatives are now offering smallholders a real chance to increase milk production, and thus their earnings. But it takes some doing to convince them that cooperatives are self-help businesses owned by them and for them. For in former Yugoslavia, cooperatives were instruments of the state-dominated economy and so farmers are suspicious.

A Nice Choice of Delicious Cheese

The tasty local varieties of cheeses (hard and soft cheese, sliced cheese) and their various cooperative brand names are becoming increasingly popular amongst consumers. In order to strengthen their market position, the Bosnian cheese-making cooperatives have formed a central trading cooperative for better marketing. It has acquired an excellent reputation for the reliable supply of an attractive choice of quality cheeses not only for the retail market but large-scale consumers such as hospitals.

The positive results of these cooperative activities are already visible: production, quality and markets have been secured and there is more money for the cooperatives and their members.
The development of savings and credit cooperatives begins to bear fruit in the Ukraine. The provision of financial services has considerably improved in the rural areas. The reputation and solvency of cooperative credit institutions has grown – not least owing to greater efficiency of government regulation and supervision. In addition, the cooperatives have set up their own institutions to ensure the stability of the system and improve their services.

This has been achieved on the basis of the concept adopted by the Ukrainian parliament for the cooperative financial sector, including internationally recognized regulations and standards. While not all credit cooperatives have been integrated, this new system sets an example and has become known beyond the borders of Ukraine. The DGRV has supported the cooperative system on behalf of the German government agency “Deutsche Gesellschaft für Internationale Zusammenarbeit” (GIZ) since 2004.

DGRV consultancy and the activities of its partners aim to improve both the legislative situation and government regulation and financial supervision of credit cooperatives. In parallel, network institutions are established and supported which are indispensable if cooperatives are to develop sustainably.

The national confederation VAKS is the contact partner for the regional federations and the credit cooperatives. It represents their interests and advises them on administrative, economic and legal matters. The VAKS coordinates the activities of network organizations and is in charge of information policy.

The centralized financial institution UOKS is responsible for balancing liquidity and provides refinancing for the affiliated cooperatives.

A deposit protection scheme (PZV) and an auditing firm ensure the stability and sound business of the credit cooperatives. Auditing techniques and manuals used are in compliance with international standards and are based on experiences from German cooperative auditing. In the meantime, the supervisory authorities also make use of these working manuals.

The qualification of the staff is a key success factor for cooperatives. To this end, the cooperative federations have developed their own training scheme with DGRV support.

Small and medium-sized enterprises and the population in the rural areas benefit most from the expanding and reliable cooperative system. In addition to private consumption, credit cooperatives are particularly active in financing small and medium-sized investments in agriculture and trade, in processing and commerce. At the same time, they provide access to government funding schemes, for example for house construction and energy-efficient refurbishment of buildings.

Integrated Credit Cooperative System in the Ukraine

<table>
<thead>
<tr>
<th>Rural Economy, Members and Population</th>
<th>Cooperative System</th>
<th>Framework Conditions</th>
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<tbody>
<tr>
<td>Rural economy, members and population</td>
<td>Regional Secondary Structures:</td>
<td>Parliament:</td>
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<td></td>
<td>Regional Federations</td>
<td>• Law concerning credit cooperatives</td>
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<td></td>
<td>• Representation of interests</td>
<td>• Other relevant legislation</td>
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<td></td>
<td>• Link to national structures</td>
<td>Supervisory Authority:</td>
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<td></td>
<td>National Confederation VAKS</td>
<td>• Standards for regulation and supervision</td>
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<td></td>
<td>Centralized Financial Institution</td>
<td>• Regulatory and supervisory activities</td>
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<td></td>
<td>UOKS</td>
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The DGRV is not only active in its partner countries, but supports its international work with appropriate measures at home. For this, like for its activities abroad, the DGRV may draw on the experience of the entire cooperative network.

**Study Programmes and Internships**
Friedrich-Wilhelm Raiffeisen and Hermann Schulze-Delitzsch, who established the first modern cooperatives, are known the world over; the same is also true for the long tradition and success of cooperatives both in Germany and elsewhere. This inspires many of our partners to come to Germany and get a better understanding of how the cooperative system is working. Study visits and internships with a focus on various themes and regions give visitors a clear and concrete experience of how important cooperatives are, both locally and regionally, and how they affect our economy and society. In other words, study programmes provide an important stimulus for the further development of cooperative systems in the partner countries.

**Exhibition – Opportunities for Millions**
Since its opening in the WGZ Bank in Düsseldorf in October 2010 the travelling exhibition “Opportunities for Millions” has presented concrete examples of the international project activities of the DGRV. The exhibition is shown in cooperatives and institutions of the cooperative network with the aim of informing both members and customers about DGRV development activities. This is another channel through which the DGRV contributes to development policy education in Germany.

**International Cooperative Dialogue**
In close cooperation between the DGRV and the Academy of German Cooperatives (ADG) in Montabaur, a series of meetings has been organized at Montabaur Castle for a number of years under the heading of “International Cooperative Dialogue”. They offer a platform for experts from across the world to discuss topics of relevance to cooperatives, be exposed to new ideas for their work at home, and also gain an insight into how cooperatives function in practice, for example in the course of excursions. In view of the financial crisis and the importance of secure and stable financial systems, the first meeting in February 2008 focused on “Sound Financial Systems: Regulation and Supervision – Structures, Processes and Instruments”.

Cooperatives are of special importance for small and medium-sized enterprises both in Germany and in many countries around the world. The second ICD in October 2009 was therefore organized around the general theme “Development and Finance of MSME – Challenges in Times of Crisis”.

Well-trained staff at all levels is one of the major success factors of cooperatives. This is why the third ICD in autumn 2011 dealt with topics in connection with “Human Resource Development & Training – Key Success Factors of the Cooperative Business Model”.

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**Germany Activities Not Limited to Other Countries**

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### Cooperatives in Germany

**German Cooperative and Raiffeisen Confederation**

<table>
<thead>
<tr>
<th>National Association of German Cooperative Banks (BVR)</th>
<th>German Raiffeisen Federation (DRV)</th>
<th>SME GROUPS Germany</th>
<th>Central Federation of Consumer Cooperatives (ZdK)</th>
</tr>
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</table>

6 regional auditing federations (Baden-Württemberg, Bayern, Genossenschaftsverband, Mitteldeutschland, Rheinland-Westfalen, Weser-Ems)

6 specialized auditing federations (PSD, Sparda, FPV, EDEKA, Rewe, Transport)

| 1,138 cooperative banks<br>(Volksbanken, Raiffeisenbanken, Sparda, PSD, etc.)<br>16.7 Mio. members<br>160,000 employees | 2,604 agricultural cooperatives<br>(Goods, milk, fruit and vegetable, wine, meat, etc.)<br>1.7 Mio. members<br>100,000 employees | 1,622 buying and marketing coops<br>(Retail, crafts, transport, producers’ coops, etc.)<br>300,000 members<br>483,000 employees | 219 consumer cooperatives<br>500,000 members<br>15,000 employees |

2 central cooperative banks<br>(DZ BANK, WGZ)<br>8 specialized enterprises of the financial network<br>(BSH, DG HYP, MHB, Union, R+V, etc.)

6 cooperative centres<br>(in addition there are dairy centres, livestock and meat centres, etc.)

7 centralized enterprises<br>(BÄKO, EDEKA, Rewe, ZEDACH, etc.)

1 centralized cooperative<br>(Zentralkonsum eG)

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as of December 2010
Since their inception, cooperatives have pursued one goal: to provide economic benefits for their members. This has been a binding commitment set out already in the German Cooperative Act of 1889; legal documents pertaining to cooperatives from many other countries are worded in a similar way.

Cooperatives in the real economy implement this member-focused mandate every day and, in so doing, strengthen their members’ position in one or several value chains. They are links in the chain. They offer services that their shareholders need for economic activities. This is their raison d’être.

To farmers, for example, cooperatives supply inputs and receive, store and process products, including marketing these products to the end consumer. Various specialized cooperatives are involved: local purchasing and marketing cooperatives, for example, for farmers to buy seeds, fertilizers, animal feeds and agricultural technology and to sell their grain. Their financial transactions are handled by a cooperative bank and milk is delivered to a dairy cooperative. In other words, cooperatives are involved in many parts of the value chain in the interest of farmers and help the latter control a bigger share of the value chain. There are very few farmers in Germany who do not benefit from the services of a cooperative in one way or another.

The more tiers of the value chain are controlled by the farmers themselves, the greater their benefit. This is why central cooperatives developed soon after the establishment of the first agricultural commodity cooperative to facilitate centralized purchasing, processing, production and marketing.
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More about development policy activities of the DGRV under:
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as of October 2011