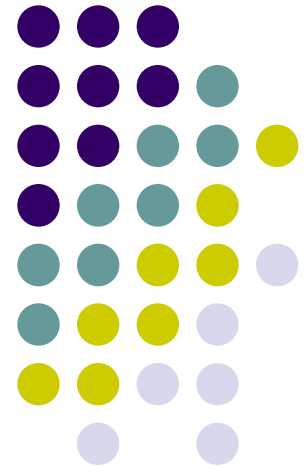
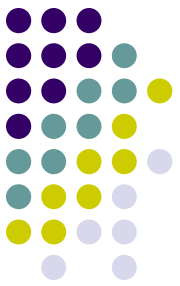


Co-operatives and Rural Economic and Social Development in Serbia

Richard Simmons
University of Stirling (UK)





Looking Back

- **Rich history - Serbia's proud tradition**
 - Founder members of ICA
 - Rise of the co-operative movement in Serbia in 19C and early 20C
- **Decline and its causes**
 - Forced collectivization (post-war)
 - General co-operatives/Self-management
 - Conflict/Political instability ('lost decade')

Why Co-operatives Now?

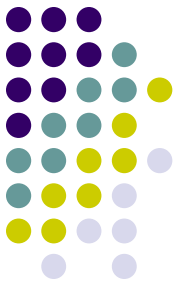


- **Economic and social development**
 - Production efficiencies/Economies of scale
 - Employment/Decent work
 - Equality/Community solidarity/Social capital
 - Tackling unemployment and the 'grey economy'
 - Local economic development
 - Poverty reduction
 - Importance of agriculture in rural areas
- ➔ Significant potential of co-operatives

Seeing Today's Picture



- **3 types of Co-operative:**
- **Old:** Inefficient; Lack of trust; Lack of capacity for change
- **New-False:** 'Private co-ops' established as flag of convenience: Low trust, 'sharp' operators, devalues the name of co-operatives
- **New-True:** Efficient; High trust; Significant potential, hampered by operating environment; **MINORITY**



Seeing Today's Picture

- **What the co-operative statistics say**
 - Sector as a whole is in decline
- **What our survey tells us**
 - Healthy co-operatives remain/Operating surpluses
- **Surviving in spite of rather than because of operating environment**
 - Becoming an 'endangered species'
 - Without action could become 'extinct'?

Listening Carefully – Survey of Co-operatives



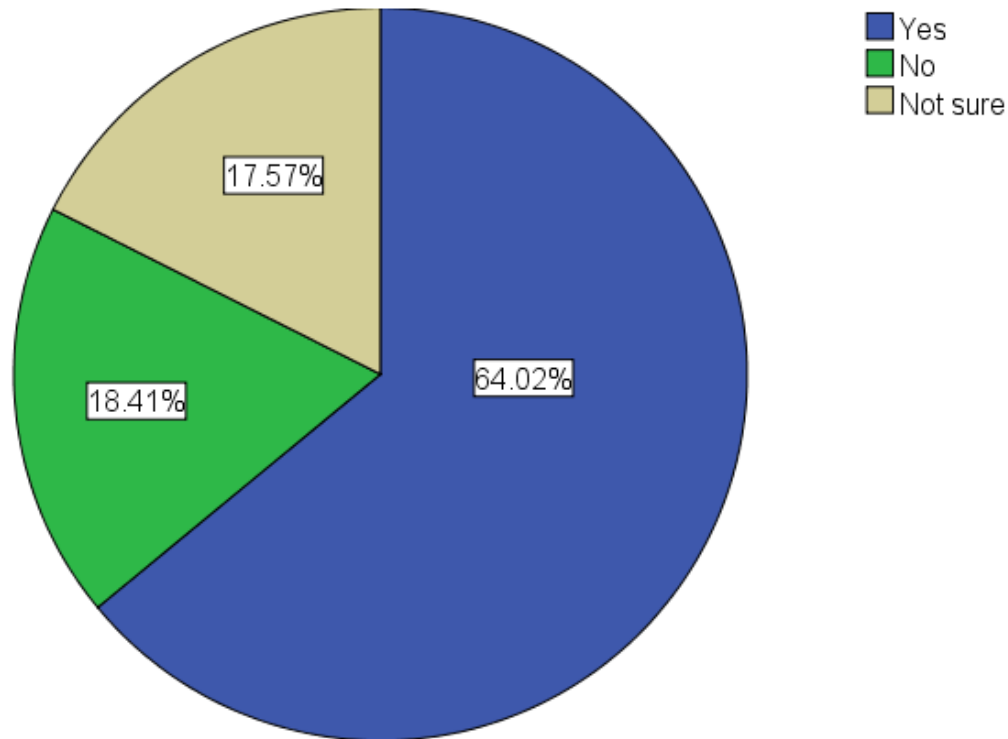
- 240 primary co-operatives
- 5 sectors:
 - Agriculture
 - Manufacturing
 - Consumer
 - Housing
 - Youth
- Mainly general managers
- All parts of Serbia

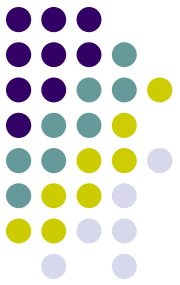
Survey of Co-operatives



Raise Members' Incomes?

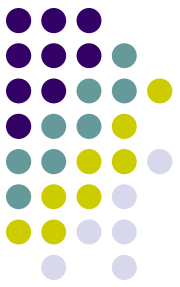
64% YES, 18% uncertain, 18% no





Survey of Co-operatives

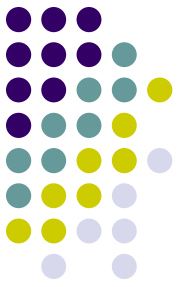
- **Ability to raise incomes**
- Directly related to the health of the co-op
 - More likely if:
 - Co-operative is growing
 - Trading surplus is achieved more often
 - Market share is higher
 - Member participation is satisfactory



Survey of Co-operatives

- **Wider Benefits?**
 - Raise members incomes, yes...
 - Other benefits? By-products? Aggregate effects?
- **Based on poverty traps (Smith, 2005)**
 - Evidence here is complex and nuanced
 - Different traps are present to a greater or lesser extent in different contexts

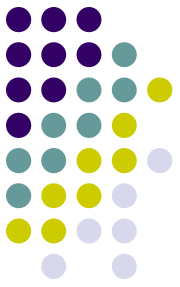
Survey of Co-operatives



- **Wider Benefits: Poverty Reduction**

- Improve the quality and quantity of the food members eat
- Improve housing, social protection when members are ill or suffer a setback
- Increase gender equality and the empowerment of women

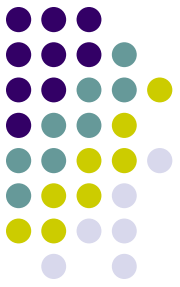
Survey of Co-operatives



Wider Benefits: Local Economic Development

- Good employment
- Provision of useful skills through education and training
- Solve common problems and overcome barriers in the community

Survey of Co-operatives



- **Healthy co-operatives work!**
 - Everywhere?
 - Equally likely in all four income quartiles
- **Co-operatives being ‘held back’?**
 - 60% ‘could do more’ to raise members’ incomes, 20% uncertain
 - Co-operatives that currently raise incomes more likely to say they could do more
 - Self help v. Outside help?

Survey of Co-operatives



- **Outside help**
- Of those who say they could do more, 90% say they need outside help:
 1. Government Actions
 2. ACCESS TO CREDIT
 3. COMMUNITY SUPPORT
 4. Donor support

How Can Co-ops Be Supported?



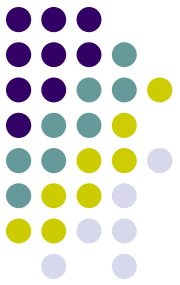
- **Government**

- Enactment of new law and amendments to other pertinent laws
- Provision of a supportive and facilitative institutional environment
- Joined-up approach (central, local government)
- (Financial support where appropriate)
- Action to help establish financial co-operatives

Financial Cooperatives

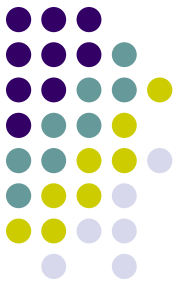


- No financial co-operatives in Serbia
- Very unusual – legal barriers
- Initial discussions in November with co-operative movement, international agencies and local stakeholders
- Followed up with Director General of International Co-operative Alliance
- New law to include financial co-operatives?



Rural Finance

- Need for sustainable credit in rural areas
- Big banks disinterested
 - dispersed demand
 - high information and transaction costs
 - weak institutional capacity
 - risks linked to farming (e.g. rainfall, pests/diseases)
 - lack of useable collateral



Rural Finance

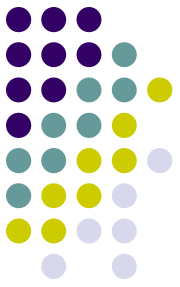
- Available financial services are:
 - costly or rigid
 - not well-suited to seasonal or longer term agricultural activities
- Potential for credit co-operatives?
 - mobilise savings
 - make available loan funds
 - knowledge of 'good risks' in locality



Critical Success Factors

- Balance needs of 'net savers' (safe and secure savings, liquidity, return) and 'net borrowers' (access to loans, reasonable rates)
- Other key success factors must be met (probity, security, strategy, growth, etc)

Fundamental Conditions for the Creation of Credit Co-operatives



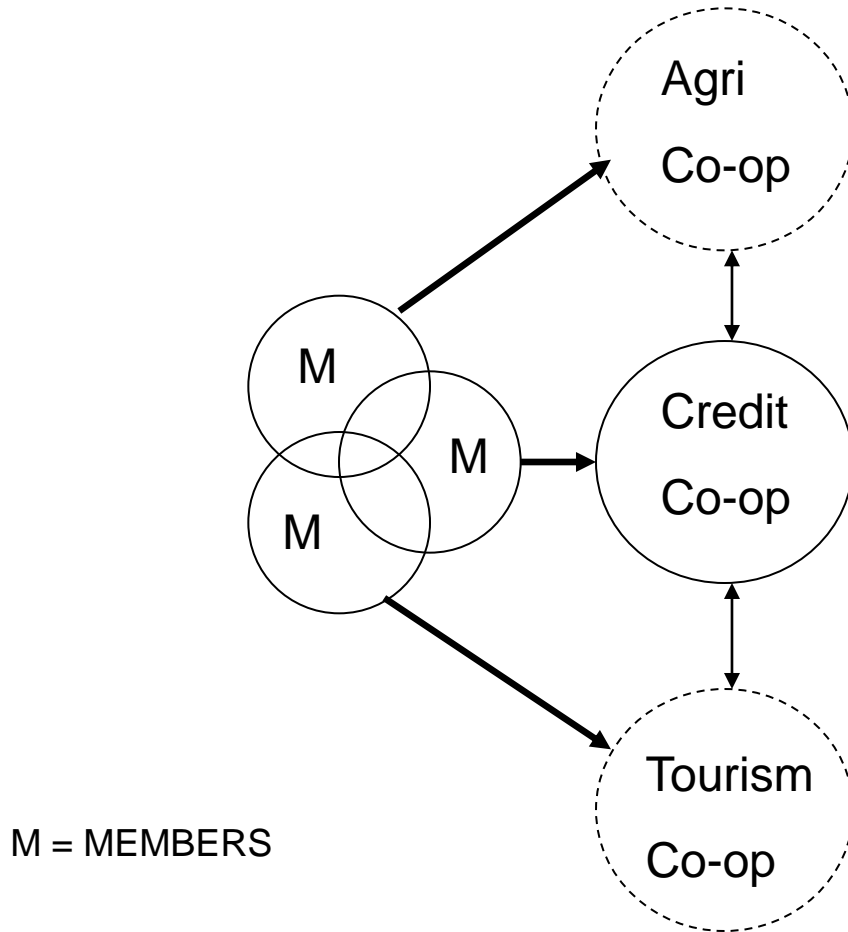
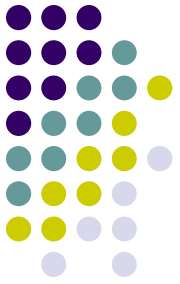
- Group of motivated persons who share common problems
- No alternative to collective self-help
- Benefits of membership outweigh the costs
- At least one person with leadership ability who is reliable and honest
- No legal or political restrictions

A Model for Development (Phase 1)



- Local promotion of co-operative
- Savings drive
- Member/Director development
- ‘Good governance’
- Member benefits
- Wider community benefits – local associations?

Economic Benefits

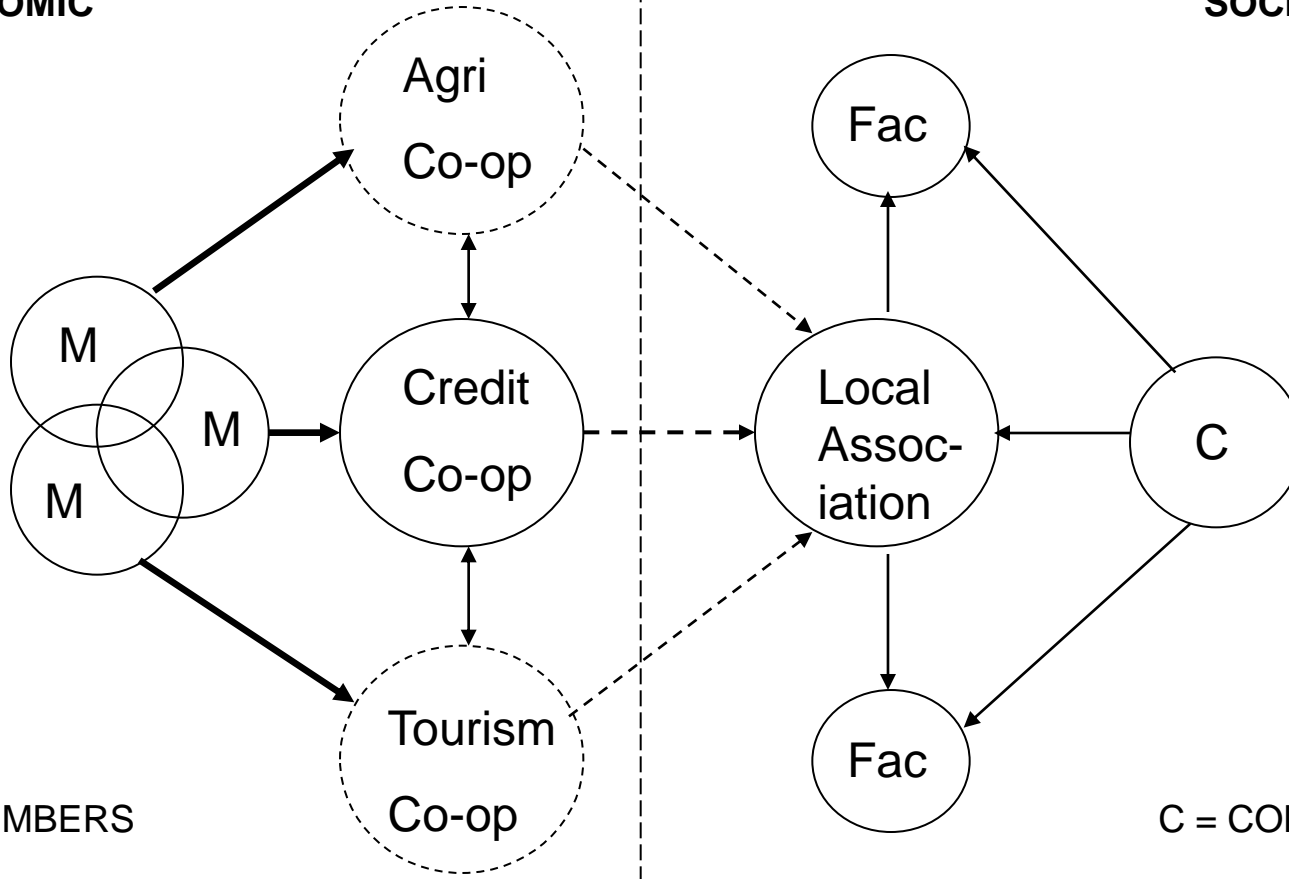


Economic AND Social Benefits



ECONOMIC

SOCIAL

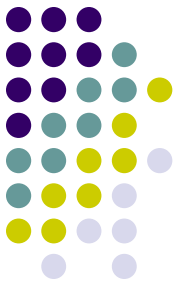


M = MEMBERS

C = COMMUNITY



Advantages of the Model



- Creates a virtuous circle
- Credit co-operative becomes engine for local economic development
- Businesses focus on being businesses
- Association focuses on social well-being
- Rules that leadership of co-operative(s) and Association are different
- Subsidies can be channelled by credit co-operative to help build producer capacity?

Conditions for Continued Success of Credit Co-operatives



- Visible and tangible economic and social benefits for members
- Motivated and dynamic managers to plan business policies and provide services required by members
- Complexity of structure and management of co-operative must correspond to capabilities of its members

Development Partnerships



- Need for multi-agency partnerships to develop co-operatives and associations
- Play to existing strengths where possible
- Start from what people know
 - existing structures (e.g. informal groups)
 - organise around a common bond/activity
- Access to ongoing support and services to further develop these structures, and strengthen self-help and self-governance capacities