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The role of civil society organisations in the development of cooperatives and rural communities: challenges in the region¹

1. INTRODUCTION

1.1. State of civil society development

1. As Ukraine and many countries in the post-Soviet area continue to develop, civil society is taking hold and growing. Non-governmental, non-profit associations of citizens, or civil society organisations (CSOs) as they are also known, constitute an important element of that society. Global experience shows that CSOs unite people, guide efforts to address social problems, foster revitalisation of public life, direct citizens' energy towards addressing critical issues, stimulating their creativity, promote entrepreneurship and also provide an opportunity for citizens to influence decision-making by public authorities and local government.

2. One of the strategic thrusts of combating rural poverty, reducing unemployment, creating new jobs, developing and supporting small and medium-scale economic activities and ensuring conservation and rural development is the creation and development of agricultural service cooperatives. The result of active implementation of this strategy globally is the formation of a middle class - the basis of a modern civil society. The principles underlying the organization and activity of cooperatives show us that it is the organisational and legal form which best meets the requirements for formation of a civil society and that it is one of the institutions that allow the realisation of many of the rights afforded to citizens. Moreover, as a non-profit activity, the development of cooperative farming is also relevant within the framework of the EU-Ukraine Association Agreement and cooperation with the WTO. This also applies to many of the CIS countries.

3. It should be noted that while market reforms in Ukraine saw the emergence of a relatively well-organised large-scale agribusiness sector in grain production, poultry farming, pig farming, industrial crops, sugar beet and so on, its agrarian sector still comprises a large number of poorly organized small businesses (individual farmers, household economic activities, smallholdings). Colleagues from Georgia, Armenia and Moldova confirm that the problems facing small and medium-sized agricultural producers in their countries are similar

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to those in Ukraine. The activities of small business cover a much broader range, from highly labour-intensive agricultural production through to addressing social and demographic problems, preservation of rural areas and so forth. The low return on small-scale agricultural activities is one of the reasons for their unattractiveness, resulting in the slow development of cooperative economic activities in rural areas. At the same time, we observe a lack of alternative forms of association affording protection of economic and social interests in rural areas in most CIS countries. This was confirmed by participants at the Roundtable on Agricultural Cooperatives organised by ICF COMMUNITY WELLBEING, with support from FAO, in 2013 in Dnepropetrovsk.

4. We can thus assimilate the service cooperative with a CSO and believe it to be an essential instrument in the development of civil society, fulfilling the following functions:

- The economic foundation of civil society - since in a mixed economy voluntary associations of citizens for the purpose of economic activity guarantee the realisation of their economic rights.
- The social basis of civil society - forming the "middle class" which in democratic countries accounts for up to 60% of the population (in Russia it accounts for between 3.5 and 12%) and includes scientists, technicians, managers, intellectuals and farmers.
- The political and legal framework of civil society - creating a social movement which influences local government policy and legislative initiative for cooperative development.
- The moral foundation of civil society - providing opportunities to build a community where information is shared and citizens' opinions publicly expressed.

1.2. Characteristics of community organizations and their role in building civil society in the region

5. The specific features of non-governmental organisations and their role in building civil society can be considered in terms of the functions they perform.

6. The functions of the third sector determine its relationship with government and business and, as a reflection of its interests and needs, are ultimately aimed at strengthening and developing democratic processes in society.

7. In most CIS countries the CSO sector tends to include non-governmental organisations, foundations and associations. In Western countries the approach to defining a CSO varies. In Poland it refers only to community associations and foundations, while in the Netherlands and Belgium CSOs also include cooperatives. But if one carefully examines service cooperatives, which are gaining popularity in some CIS countries, they prove to be virtually indistinguishable from CSOs, if only that their function of improving the well-being of their members is more developed.

8. The most important function of civil society is representation of interests. It is the function of interaction between the individual and the State and business, protecting and representing his/her interests, values, etc. It is achieved by increasing the bargaining power of the individual in his/her interaction with other members of society. In protecting and supporting

individuals in this relationship, CSOs expand the number of resources available to them through the provision of various services, ranging from support for families in difficult situations to fostering economic well-being and protecting civil rights under pressure from the State or big business.

9. The role of the third sector cannot be overestimated, because economic development, as the primary indicator of standard of living, is largely influenced by social networks, norms and values that guide people in their interactions. According to the theory of social capital, the level can be assessed using three indicators:

- participation in local organisations, associations and networks;
- measures of the level of trust in society;
- formation of collective action.

10. In contemporary Western society life and the economy are subject to formal laws and property rights. In rural areas of developed countries social capital is represented by formal structures such as agricultural production and service cooperatives, credit unions, non-governmental organisations (associations) and foundations, local action groups (LAGs) and others.

2. CHALLENGES TO ASSOCIATION OF RURAL INHABITANTS IN UKRAINE AND CERTAIN CIS COUNTRIES

2.1. Involvement of citizens in activities of civil society organizations in the region

11. What is happening in countries like Ukraine, Moldova, Georgia or Armenia? Unfortunately, the vast majority of the rural population does not belong to any community organisation and is not involved in any collective action by their community. Systems of public participation, which are so widespread in the Western world and imply the active participation of rural inhabitants themselves in decision-making and promotion of their well-being, are very unpopular among farmers.

12. The problems specific to rural dwellers in Ukraine and many CIS countries are almost identical. Let us consider some of them in more detail.

13. One of the major problems for civil society development in Ukraine remains the extremely low level of social capital. This is manifested in the distrust of citizens towards the authorities, social institutions and political parties. It also applies to CSOs.

14. As a consequence, the level of citizens' involvement in their activities is low. According to the Institute for Strategic Studies, the number of citizens who do not trust community organisations has consistently exceeded the number of those who do trust them for a long time. Sociological research data for the last three years from the Razumkov Centre for Economic and Political Studies in Ukraine shows that, on average, 28.4% of Ukrainians trust community organisations, with 3.4% fully trusting them and 25.2% inclined to trust them. 53.3% of the population do not trust community organisations, with 21.7% not trusting them at all and 31.58% inclined not to trust them. Thus, average levels of trust in civil society in Ukraine are lower than, for example, Albania (39.6%) and Georgia (45.6%).

2.2. Potential and problems in rural areas

15. Rural areas in Ukraine and other CIS countries have huge natural, demographic, economic, historic and cultural potential, which if used effectively can ensure sustainable multi-sectorial development and high living standards for the rural population.

16. As of 1 January 2015 more than 30% of Ukrainians were living in rural areas, while in Georgia the figure was over 42%, more than 34% in Moldova and over 40% in Kazakhstan. Almost one third of those people are of working age. Rural settlements are comprised mainly of small holdings run by self-employed agricultural producers.

17. Typically, these farms have problems selling their surplus agricultural produce and very limited access to financial resources, modern technology and equipment.

18. In rural areas the production of non-agricultural goods, in particular, locally branded artisanal products, folk crafts and food is only developing slowly. Rural and eco-tourism are also problematic.

19. The current state of development of entrepreneurship and small and medium-sized businesses in rural areas is insufficient to solve employment problems and ensure job creation, which in turn would improve rural quality of life. This has given rise to a phenomenon of "hidden unemployment" in rural areas.

20. Insufficient use is made of the cultural, historical and recreational potential of rural areas, particularly in the field of eco-tourism. This is due to lack of information, the poor quality and range of tourist services and the absence of a modern leisure industry in the countryside. Limited use is made of the current potential of protected and environmentally pristine areas which hold recreational appeal.

21. The ecological status of rural areas is critical due to the influence of numerous natural and technological factors, in particular soil degradation, runoff from fields, pollution from livestock farming, enterprises that produce large amounts of harmful emissions, the unresolved problem of illegal dumps (indiscriminately containing organic compounds, as well as the "blessings" of modern civilisation – batteries, halogen lamps and other objects that contain toxic, harmful elements and compounds that cause irreparable damage to the environment).

22. Rural incomes are at least a quarter lower than in small towns and half as much as in large cities. The level of social services for the rural population is relatively low.

23. Having highlighted the key problems facing rural areas we can conclude that the main obstacles to association of farmers and sustainable development are:

- The low level of entrepreneurial and community initiative in rural areas and the passivity of rural dwellers;
- The fact that rural inhabitants identify any form of association to organise economic activity (for example, service cooperatives) with former collective farms;
- The lack of access to financial resources for rural economic development;

- The low level of social and environmental responsibility among large-scale producers in rural areas;
- Insufficiently attractive conditions to draw qualified personnel to rural areas;
- Inadequate information and awareness-raising activities by the State on all aspects of sustainable development in rural areas;
- Insufficient functions and authority granted to local government in order to secure production and financial resources.

24. **For reference:** *In order to understand the depth of the problem, let us review the principles underlying agricultural development in the EU.*

25. *According to EU policy, there are three major axes for development of rural areas:*

- *Axis 1: Improving the competitiveness of the agricultural and forestry sector*
- *Axis 2: Improving the environment and the countryside*
- *Axis 3: Improving the quality of life in rural areas and diversification of the rural economy.*

These three axes are sustained by Axis 4: “Support for projects initiated at the local level under the LEADER programme”, which is led entirely by local communities and their self-constituted Local Action Groups (LAGs).

2.3. A brief comparison of civil society organizations in EU countries

- Non-governmental organisations contribute 3-9% of GDP in developed countries (5% in Belgium, 7.9% in Canada);
- The civil society sector in European Union countries employs between 4.4% and 14% of the active population or at least one in twenty people;
- Ten times more people in the European Union work in the civil society sector than in light industry and five times more than in the food industry;
- In Central and Eastern European countries CSOs attract three times more domestic and foreign investment in social services than government and municipal institutions with a social mandate;
- The contribution of non-governmental organisations to GDP in EU countries is growing twice as fast as the contribution of light industry;
- Taken as a whole, the GDP of civil society makes it the world’s seventh largest economy;
- Civil society has created more than 25 million jobs worldwide (the biggest multinational creates 3.5 million);
- Sixty percent of civil society (including volunteers) are engaged in the provision of services, 40% of which are concentrated in social, medical and educational services.

26. This means that the basis of community development and the well-being of each of its members is the community itself, and indeed, the very premise of rural development policy is that the community is able to join forces in order to solve its problems. Unfortunately, this approach has not yet been adopted in the countries of the former Soviet Union. There are, however, ongoing attempts to break with the existing system and change the attitudes and

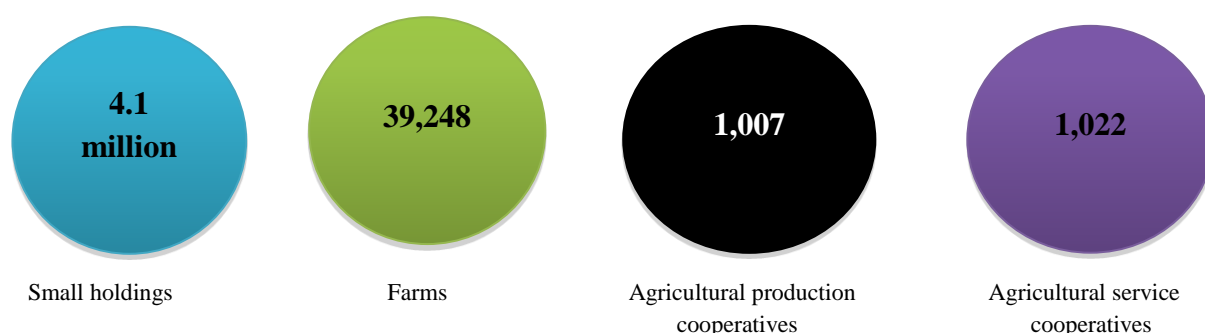
perceptions of both officials and inhabitants, especially in countries where donors are active. Only a change in government policy, focused on the development of people, communities and their interests, will create opportunities to achieve sustainable rural development.

3. PROBLEMS FACING LOCAL SELF-ORGANIZATION IN THE REGION - FAMILY FARMS AND COOPERATIVES

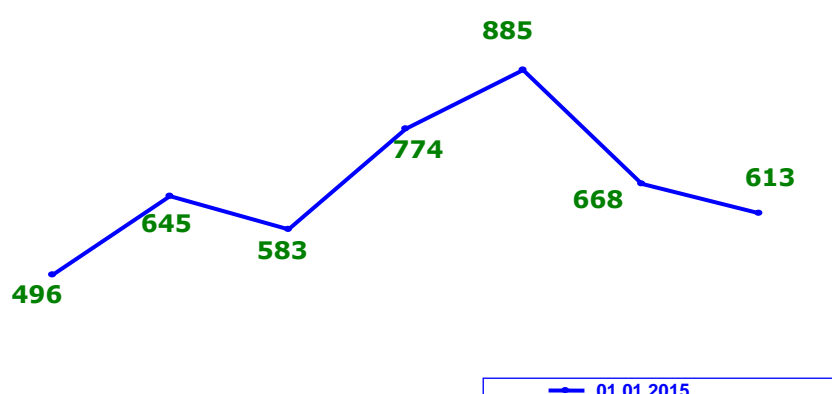
3.1. General

27. The CIS countries still lack a sufficiently transparent, coherent and clear legal framework for the development of family farms and their association through agricultural service cooperatives. Some countries have seen significant progress in this area. Ukraine has adopted an amended "Agricultural Cooperation Law" and a draft "Farming Law" has passed first reading in the Verkhovna Rada (Ukrainian Parliament) and includes a large section regulating family farm activities.

28. It should be noted that the number of service cooperatives in Ukraine, for example, is low, although there are more than 28 thousand rural settlements. As of 1 January 2015 only 1,022 agricultural service cooperatives were **registered**^{*}, which is very few considering current potential and needs.



29. The number of cooperatives actually in operation was even lower at 613^{*}.



^{*} Data from the Ministry of Agrarian Policy and Food of Ukraine.

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3.2. Barriers to self-organization and cooperation in the region

30. Among the main obstacles to the development of family farms and agricultural cooperatives the following should be noted:

- The absence of a clear government development policy in this field, which needs to be established in close cooperation with civil society and rural communities, together with public information campaigns;
- A lack of financial and credit resources, due to insufficient state support for this sector of the economy, frequent lack of access for small businesses to the commercial credit market and insufficient development of rural credit cooperatives;
- Failure of small and medium producers in rural areas to comply with international quality and safety standards for agricultural products, due to a lack of resources to meet these requirements, and the inability to solve these problems on their own;
- The lack of effective systems for procurement of material and technical resources, or systems for harvesting, storing and marketing agricultural products or that provide services to smallholders and other farmers;
- Generally low levels of mechanisation of agricultural production and high percentages of manual labour, resulting in a physical burden on farmers which exceeds acceptable physiological limits. This excessive personal burden worsens their social situation, leading to premature ageing and the inability to work. It also adversely affects their educational, cultural and intellectual levels;
- A lack of access for small agricultural producers to resource and energy-saving technologies and the inability to apply global best practices in land-use and environmental safety of production. These factors directly affect the competitiveness of their products on the market;
- Significant difficulties for the rural population in obtaining current market information, as well as legal, economic and technical advisory services. There are no opportunities for training, appropriation of new technologies or professional development;
- Relatively limited informational, analytical and practical support from Western countries, as well as limited opportunities to exchange experiences among CIS countries on best practices in cooperative development as an element of civil society.

31. One specific gap affecting development of cooperatives is a lack of organisational and human resources. In other words, a cooperative is not going to function without a person or a group of people who invest their time, energy and intellect. They also need the right knowledge and adequate information to properly establish and ensure the effective operation of the cooperative. In developed cooperative systems this implies hiring professional consultants whose conditions of employment do not differ substantially from those of staff in private or public enterprises. They are effectively employed by all members of the cooperative. In CIS countries, recruitment of qualified managers, economists, accountants or lawyers is generally not contemplated at all or is decided on a case-by-case basis.

32. In our view, the progressive solution of these problems will contribute to an increase in the number and sustainability of small agricultural enterprises in rural areas and their association through agricultural service cooperatives.

33. Agricultural service cooperatives are a mechanism for the economic self-organisation of the rural population and are there to protect the interests of their members in a market economy and a rapidly changing world.

4. PROPOSED ACTIONS TO MODIFY CURRENT TRENDS - SUMMARY

34. Thanks to their self-organisational skills, civil society organisations and cooperatives, which comprise active elements of the rural population, have the opportunity to become the drivers of sustainable development in rural areas.

35. But we must help rural people to feel their own strength and encourage them to take action. Unfortunately, low living standards and numerous socio-economic problems mean that farmers are rather passive when it comes to self-organisation.

36. As a real practical step to solving these problems, it is proposed that a regional Platform be created for the development of agricultural service cooperatives as an important component of civil society, in order to provide holistic solutions to problems in rural areas, combining public interest with economic benefit. This union will make it possible to not only improve rural people's awareness and their ability to solve local development problems, but will also significantly improve their economic well-being. It does not need to be proven that only an economically prosperous person can effectively contribute to the development of their community. After all, if a farmer is poor, he or she is forced to think first and foremost about how to feed the family, which generally leaves no time for anything else.

37. Therefore, with the assistance, support and coordination of the FAO and in close collaboration with ICF COMMUNITY WELLBEING, FAO member governments, international donors and experts, we would like to propose the creation of a regional Platform, with the aim of establishing an active dialogue and inclusive cooperation among persons and organisations responsible for the development of cooperatives and farming in EU countries (for example, COPA-COGECA) and those responsible for cooperative development in the post-Soviet countries. The idea of this Platform was put forward by participants at the Roundtable on Agricultural Cooperatives organised by ICF COMMUNITY WELLBEING, with support from FAO, in November 2013 in Dnepropetrovsk.

38. Such a regional Platform will provide an opportunity for governments, projects, non-governmental organisations, civil society organisations and other stakeholders in post-Soviet countries to exchange information with experts and relevant organisations in EU countries on the challenges faced by cooperatives as they develop in the countries of the former Soviet Union. It will also provide a way to seek optimal responses to those challenges together.

39. Furthermore, the regional Platform will allow for the exchange of information and experiences among countries in the post-Soviet area on the conceptual, strategic, legislative and practical aspects of development of cooperatives and family farms. It should be noted that in order to prepare and analyse the current situation, FAO and ICF COMMUNITY WELLBEING conducted a legal study of agricultural cooperatives in the CIS and Georgia, which includes legislation governing cooperatives in those countries and a preliminary comparative analysis of laws on cooperatives across the region.

40. Additionally, the regional Platform will enable EU countries to share valuable experience in public policy for the development of rural cooperatives and civil society in general.

41. ICF COMMUNITY WELLBEING has many years of successful experience in establishing links and cooperation with Western partners and creating social partnerships at different levels to solve rural development problems. It will therefore continue to do its utmost to foster cooperation between EU and former Soviet Union countries in the field of cooperative development.

42. Drawing on their successful past collaboration, the coordinated actions of FAO and ICF COMMUNITY WELLBEING within the framework of the proposed Platform will provide impetus to the development of agricultural cooperatives and family farms in the region, as well as to non-agricultural business, through the exchange of experiences and best practices, lessons learned in European countries from the development of local communities, stimulation of business initiatives in rural areas, joint conferences, study tours and training courses in the post-Soviet countries involving European experts.

43. In addition to these activities, the Platform will develop and maintain a highly functional Internet portal. This is a relatively inexpensive solution, providing permanent access for stakeholders to essential knowledge and information. It allows information and know-how to be rapidly shared with colleagues and enables online discussion of certain issues or problems.

44. We are confident that as the Platform will allow for the exchange of experiences, the study of European best practices and expert support, as well as the establishment of close cooperation between authorities at all levels in countries of the region, together with civil society and donors, we will be able to help solve many of the problems facing rural areas in the post-Soviet area. These problems must be solved urgently and it is our hope that participants in this consultation will support our idea of creating a Platform, which we believe can act as a major stimulus for harmonious rural development processes and greater well-being for rural dwellers.