

## **Chapter 6: The Different Players Involved and Their Roles**

### **A. The Worker-Owners**

### **B. The NGO**

### **C. The Government**

### **A. The Worker-Owners**

The worker-owners are the key players in any cooperative project. No matter how much support the cooperative receives, the only ones who can make the business a success are the worker-owners. They are the ones who have to commit themselves to learning – and in many cases *unlearning* – what it means to be a worker and what it means to be an owner. Success means that everyone in the cooperative must understand how to produce a high quality product on time and at a good price to guarantee a market. This cannot be done by one individual alone, it takes the effort of the entire group.

After years of production experience, the worker-owners at the Fair Trade Zone understand the importance of client satisfaction. “We depend on orders from the clients,” explains Zulema. “And if we don’t come through for our clients, then we all lose because we’re not going to have profits at the end of the year – we lose everything and look bad. I put pressure on myself – ‘I have to get this done for the client!’ No one is going to tell me to hurry up, I myself have to...finish the orders.”<sup>115</sup>

During the start-up phase, however, they weren’t always able to complete orders in the way their clients demanded. This has given them an appreciation for quality and on-time delivery. “I don’t like it when we don’t come through for our clients,” says Ruth. “I don’t like to be irresponsible...Because it’s my factory where I work, where my money comes in...All of us [have to] come through on the orders so that we can generate more employment and have sustainable work for people.”<sup>116</sup>

The Fair Trade Zone worker-owners have managed to improve the production as well as the administration of their business, and they now feel that their business is a success. “From my point of view, yes it’s a big achievement and incredible,” says Verónica. “Because if you can





imagine, we're a group of poor women who are owners of their own business and it's going well."<sup>117</sup>

"For anybody, for us here in Nicaragua as for any poor person in the world, it's very important to be an owner of the business," says María Elena, "because this is going to assure you work, you are securing a future for your growing children. Because we have the experience that all of us are very poor, all of us have grown up in a [very poor] family...lacking a lot.

One day we would have enough food, another day we wouldn't...and this is very important for me because I know that if I die one day, I'm going to leave something behind for my son. Something that shows him that his mother worked and something that will be useful to him."<sup>118</sup>

## **B. The NGO**

Any non-governmental organization (NGO) should only become involved in such a project if it is truly committed to the long-term process: accompanying the cooperative through *all* phases of its development from infancy right up through maturity, a process that will take years. The NGO's primary role, which is often a difficult balancing act – is to give the co-op as *much* freedom as it can possibly handle at any given stage without allowing it to fall completely apart because members are not trained enough to take on full responsibility of running the cooperative.

An NGO can also help a cooperative opt for the more pure form of cooperativism where every worker is a member who has a voice and a vote. The cooperative is not forced to contract with outside personnel to administrate the business if the NGO can, for a time, fill those administrative functions while cooperative members learn to administer the business themselves. "[Our project] started with support from a foundation that in this case was the NGO JHC-CDCA," explains Rosa. "They did everything in the beginning because...we didn't have even the slightest idea of how to go about doing things."<sup>119</sup> JHC-



CDCA and the Fair Trade Zone are committed to the ongoing transfer of responsibilities from the NGO to the cooperative until it is a self-reliant entity.

The Fair Trade Zone is not a universal example, but the members of the cooperative began their business coming from the lower end of the socio-economic ladder and with a low general level of education. They were not prepared in any way to begin to operate an international business with clients and suppliers around the world. Rather, this process has been accomplished through a series of steps:

- 1) First, they had to get grounded in production.
- 2) They had to learn business administration as it related to the daily running of their business i.e. imports and exports, dealing with tax offices, customs and the ministry of labor.
- 3) They are now in the process of learning to coordinate the sources of supplies for the cooperative and to understand the process involved.
- 4) They will then learn to directly relate with their clients. They certainly have relationships with their clients themselves – in fact, more close relationships than most businesses: their clients have visited them, they have visited their clients and even stayed in their clients' homes. But currently none of the cooperative members speak English, and most of the co-op's sales are done in English. For this reason, the NGO involved – the JHC-CDCA—is still needed to serve as a conduit of communication between the co-op and its clients.

“The [JHC-CDCA] represents us because they secure markets for us,” explains María Elena. “And if we don't come through for a client we make them look bad.”<sup>120</sup>

Throughout the accompaniment process, it is important that co-op worker-owners learn as they go – it is impossible to learn everything beforehand because there is no concrete basis for understanding. Learning along the way makes the material more real and worker-owners are better able to understand. In the beginning, “We didn't have the training to be able to administer this type of business,” says Rosa. “It's a North American market and we are people who come from doing whatever it takes to get by. Imagine for me, going from washing clothes to coming to work here is very different.”<sup>121</sup>

It is sometimes difficult to discern what level of involvement the NGO should have in the cooperative and its decision-making processes. “Liberal purists believe that grassroots organizations should be left alone to sink or swim,” says Mike Woodard of the JHC-CDCA. “In other words, that all decisions should be made at the grassroots. The reality is that in an economic movement to empower the poor, like in any social movement, the poor don't start off with the skills necessary to make it a success.”<sup>122</sup> The independence movement in India, for example, needed Gandhi, who could move between Indian and British society because he was an Indian who had been educated as a lawyer for the British Empire. The civil rights movement in the United States needed Martin Luther King, Jr., who was black, but had been educated at white institutions and understood white society in a way that most of that black community at that time did not.



*NGOs have access to places poor people don't – photo Kelly Doering*

“It is absolutely necessary for a project to involve someone who can move between cultures, communities, and languages,” recommends Mike.<sup>123</sup> This is the purpose that the JHC-CDCA has served for the Fair Trade Zone. “They are North Americans and so they know a lot of the laws there, they know how the market moves, they have experience in the organic market,” explains Rosa. “So it was much easier for them to enter into the market...this was a big advantage and it was a great help.”<sup>124</sup>

Many times, those who work in the NGO world also have access to places that poor people don't. “They can get audiences in places that poor people can't,” points out Mike. “And this can be of utmost value to any cooperative – not to make them dependent on the NGO, but when they start off with so little it can really help them succeed to have someone accompany them.”<sup>125</sup> Fair Trade Zone worker-owners have seen the benefits of this when they arrive somewhere with a North American representative of the JHC-CDCA. “They always help us once they see us,” says Ruth. “It's like they take an interest once they see a gringo there...but if it were just us, they wouldn't.”<sup>126</sup>

“I feel very grateful to the Foundation because they have supported us from the beginning,” says Verónica. “and through them we have received aid from visiting delegations and made contact with our clients...We know that if the Foundation says something, they're right. Sometimes we make mistakes we shouldn't make.”<sup>127</sup>

### **C. The Government**

In the current world context, most governments of underdeveloped countries are anxious to attract free trade zones and the employment, however poorly paid, they bring with them. The policies of most governments toward free trade zones are concessionary – give the zones whatever they ask for in order to locate their businesses in the host country. In Nicaragua, the free trade zones are asked to deposit \$10,000 with the government. Once this is done and the free trade zones receive approval, they invest very little in Nicaragua except their payroll, they get tax free imports and exports, tax free local purchases, concessionary water and lights rates, and are asked for nearly nothing in return. They are not required to buy goods in Nicaragua, nor are they required to keep their money in Nicaraguan banks or return a portion of the profit to Nicaragua in the form of taxes. The government is then allowed to say they've created so many jobs and employment is on the rise. In most countries, this type of international “investment” in the country is very much encouraged by the government, which may be tripping over itself to secure an investment of a large company over its close neighbors.

In contrast, there are very few governments that have sufficient support for small and medium-sized businesses, and even fewer that offer good support to worker-owned cooperatives. While these are locally-owned businesses, the revenue they bring in is generally insignificant compared to the free trade zones and other large companies, making it seem not worthwhile to many governments. Depending on local government's policies with regard to small business and cooperatives, one may find any range of attitudes regarding setting up a worker-owned free trade zone: from outright dismissal and even attempts to stall or block efforts, to pilot programs aimed at supporting small business, or even outright support and approval.

Of course the strict role of the national government is one of establishing law – national governments have set up laws affecting small business, cooperatives and free trade zones. The government also sets up commissions and/or offices to deal with each of these areas of business. In addition, the national government facilitates imports and exports and grants licenses such as free trade zone status and cooperative status. Another role the government plays is the provision of infrastructure.



*local community in need of infrastructure support*

Whenever possible, we recommend reminding the government of that and demanding that it provide better infrastructure. Once a project can proudly say it exports half a million dollars of goods per year, it will be a ranking exporter and will warrant preferential treatment. Even if a project never reaches that size, it should demand these services anyway.

A sympathetic local government can be very helpful to a project. A local government can prioritize road improvements to the area where the cooperative is located, help the co-op with building permits and can be a good resource/network in general. It is often beneficial to have the participation of local government during the first stages of establishing a relationship with clients. Having local government officials meet with clients to assure them that the co-op can count on full cooperation of the local government can reassure clients that the business will continue to function.

Also, through its participation in the project, the local government can leverage other entities that can help to fund the cooperative. There are some funding organizations that will only participate in a project if local government is involved. If the local government takes on even a minor support role (this can be writing a letter promising to maintain roadways and garbage collection to the cooperative) that can be enough to influence other organizations to help the project as well.

Our experience in Nicaragua has taught us that in this context, the government is more likely to be supportive once a project has had some measure of success on its own. Unfortunately, many of the programs designed to help small business owners either don't reach those who need them or are not taken advantage of by those who need them. When the project first began and was trying to set up the co-op, we were learning everything for the first time and found it difficult to access materials and information. With our learning, however, we discovered places where the Nicaraguan government could be very useful. For example, the Nicaraguan government Institute for the Promotion of Small and Medium-Sized Business (INPYME) is staffed by very practical and knowledgeable people who can give advice and can help make connections with other government offices. They also have a resource center which we have found very helpful with training materials and other resources. Many national governments have such an office, and we would highly encourage making good use of their resources.

Through our work with the staff at INPYME, we also began a very fruitful relationship with the Ministry for the Foment of Industry and Commerce (MIFIC), an office which often deals with larger businesses, but which is also trying to focus on helping small business. Through this



*CNN interviewing Yadira, of the Fair Trade Zone*

office we were able to finally get the attention of the central government and MIFIC was particularly helpful in helping us relate with customs, which often has been a stumbling block in the co-op's path to success. We would recommend that going directly to any such government ministry to explain the project to them and ask for their support. The more that they are aware a project exists, the more aid it will receive from them. We have found it always helpful to mention the roots of our project and the project's main goal to provide employment for a community living with 80% unemployment. "We would go to

someone in a position to help us and say, 'look, we're poor women and we don't have enough money to pay. We're simply [trying to] grow and help others.' And so they would charge us less," explains Tomasa.<sup>128</sup>

In most cases, the government is happy to hear of employment initiatives and will give its support wherever it can, especially if it can later say that it has supported a successful project. "[At first, the government] didn't take any interest," remembers Rosa. "It wasn't important to them...But as time has passed, they've seen the success that the cooperative has had...Here the government even sees it as an example for other projects because it's a project that has had good results."<sup>129</sup>

The national Free Trade Zone Commission is also an important group to work with. They can and should help with any questions about running a free trade zone. They should also work in conjunction with a project on customs matters, which will help any group learn to work with customs inspectors and the local customs office assigned to its free trade zone. The FTZ Commission should also be able to connect a project with other free trade zones to find potential buyers and providers among the FTZ in the country. They will often have meetings, conferences and events geared toward free trade zones. It is important to participate in these activities to a certain extent, in order to network with other free trade zones.

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- <sup>115</sup> Interview with Zulema Mena Garay, 20 July 2005.
- <sup>116</sup> Interview with Ruth Mena Garay, 20 July 2005.
- <sup>117</sup> Interview with Verónica Ramona Calero Banquedano, 19 October 2005.
- <sup>118</sup> Interview with María Elena Medina Vallejos, 22 August 2005.
- <sup>119</sup> Interview with Rosa Isabel Dávila Alonso, 18 August 2005.
- <sup>120</sup> Interview with María Elena Medina Vallejos, 22 August 2005.
- <sup>121</sup> Interview with Rosa Isabel Dávila Alonso, 18 August 2005.
- <sup>122</sup> Interview with Mike Woodard, 9 September 2005.
- <sup>123</sup> *Ibid.*
- <sup>124</sup> Interview with Rosa Isabel Dávila Alonso, 18 August 2005.
- <sup>125</sup> Interview with Mike Woodard, 9 September 2005.
- <sup>126</sup> Interview with Ruth Mena Garay, 20 July 2005.
- <sup>127</sup> Interview with Verónica Ramona Calero Banquedano, 19 October 2005.
- <sup>128</sup> Interview with Tomasa Jirón 18 August 2005.
- <sup>129</sup> Interview with Rosa Isabel Dávila Alonso, 18 August 2005