

# COOP DIALOGUE

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A woman wearing a red shawl and a patterned headscarf is shown picking tea leaves in a field. She is holding a small branch of tea leaves in her right hand. The background shows a tea plantation with rows of tea bushes and hills in the distance.

*Fair Trading - New Niche  
Market for Cooperatives*



# GOOP DIALOGUE

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# Facilitating 'Co-operative' Management Development

## Why 'Co-operative' Management Development?

There is a received wisdom that has prevented any real evolution of the concept of 'Co-operative' management as a focus for management development. This is that whilst Co-operative membership-based organisations may hold similar values and principles, co-operative management operates separately as a technically competent civil service functioning purely or mainly in terms of functionally specific organisational and commercial contexts. Today, effective co-operative management development must combine the Co-operative and the commercial/organisational context if managers in co-operatives are to succeed in growing the co-operative association as well as the co-operative business. As co-operative business itself grows to meet increasing competition in the conditions of the global market, managers need to recognise that the co-operatives social dimension is itself a commercial asset of central importance in the development of the organisations marketing, human resource, and service/product delivery strategies. In defining the co-operative identity we cannot ignore management who are the most central and crucial conduit, facilitator and controller of information and decision making within the modern co-operative business.

In the figure of Robert Owen at the very outset of the industrial revolution in the 1820s, we have one of the founding fathers of modern co-operation who was himself one of the earliest examples of a successful modern manager. A manager, let it be noted, who combined an understanding of the latest technical conditions of production with the strongest ethical sensibility and the motivation and acumen to combine both in his model factory at New Lennark. Owen's ideas were rejected by the contemporary mill owners of his day but his lead was taken up by social reformers and contributed greatly to the

## Dr. Peter Davis

(Director, Unit for Membership-based Organisations, the Management Centre, University of Leicester)

development of the modern co-operative movement. It is, therefore, ironic to realise just how far modern thinking now reflects Owen's recognition of the importance of the socially responsible management of stake-holder relationships in the modern organisation. The growth of interest in ethical and socially responsible management is in part a recognition of growing consumer awareness of the damage to human health and to the natural



Robert Owen

environment that can result from the unregulated pursuit of share holder interests for private capital accumulation and the fastest possible rate of profit.

However, and this may be the biggest irony of all, the general acceptance of the importance of culture and values alongside the positivistic quantifiable aspects that define both management development and organisational development agendas today itself stems from this very market-based competitive imperative to increase profitability and the rate of growth. Thus the importance of culture and values is not merely a matter of passing fashion. It derives from the pressure that is central to

modern commercial organisational development today. Namely the need to effectively determine, implement and adapt to change. This requires increasingly greater integration of functional management disciplines in order to remain within a focused strategic programme that responds to competition without being diverted by it. The effectiveness of this integration depends upon the organisations ability to devolve management decision-making and increase the organisations' ability to act flexibly without loss of quality, cohesion and direction in the provision of its services.

Co-operative values and purpose, therefore, are not merely a contextual add on which the modern manager of a co-operative society needs to be aware of. They are in a real sense a unique management resource that can, when properly applied, provide a competitive advantage in the co-operatives positioning in the market place and in its utilisation of human resources. Modern management writers have recognised in theory the importance of culture and values in the achievement and maintenance of quality standards in the organisation<sup>1</sup> Modern managers, however, have great difficulty in achieving quality standards in practice<sup>2</sup> because the values they have to operate in one lack element that is central to the achievement of employee compliance and customer satisfaction. It is an element that is central to the co-operative values and identity, namely, mutuality.

It is mutuality that determines the stakeholder relationships within the co-operative and in its external relationships. This is because the co-operative purpose is to bring social justice to the market place and co-op methods are based on mutual membership-based associations to achieve this end. Thus a co-op does not behave co-operatively if it enters into exploitative commercial relations with non-members. Social justice and mutuality are

not values that can be applied selectively or one-sidedly.<sup>3</sup>

The question that faces us then is if Co-operatives have such a crucial strategic advantage inherent in their very culture, values and principles, why is their performance so patchy and why are they doing so badly in many contemporary contexts? Why are they so often the last to innovate rather than the first? Why have they had such difficulty communicating with and mobilising their memberships? Why have they struggled to grow market share? Why are their levels of productivity and price competitiveness so often lagging behind their rivals? Finally, why at such a time of increasing social polarisation in economic terms are the long established co-operatives, particularly in Europe, so often finding it difficult to identify both their natural membership base and a modern role for themselves? The reason is, I believe, to be found in the point I started with, namely, the co-operative movements' failure to define a 'co-operative' management in any thing other than the terms of a civil servant. It is the movements' unwillingness to develop and empower management so as to be seen as leading as well as serving the wider membership and organisation (of which management itself should be seen as forming a crucial part) that is the problem.<sup>4</sup>

The myth of lay leadership and the reality of our urgent need for professional leadership in the context of modern business must be addressed. It is not a matter of denying the democratic principle but facing the emptiness of our democratic practise that is central to the development of co-operative leadership. In saying this, I am not arguing that lay members on boards must be replaced by expert proxies as some writers and even co-operative administrators appear to advocate.<sup>5</sup> Rather, I argue that, firstly, lay board members must be supported and lead by professional co-operative managers as full members of the board, and secondly that this can only work in the context of a unified co-operative culture that incorporates members and all levels of management.<sup>6</sup> The concept of professional and its application to the concept of management is a

matter of some controversy in itself.<sup>7</sup> I use the term 'professional' in its traditional meaning as a defined body of skill and knowledge that is practised and whose objective purpose is defined under the application of a definite human centred ethical standards. It is the achievement of applying co-operative values and principles themselves to management that provides both the management purpose and the standards of its application. As we enter the millennium this is the single most important objective for human resource development in the co-operative sector.

human resource management and development and the choices it makes in the procurement of resources, the development and delivery of products and services, and finally in its allocation of surpluses between stakeholder.

What is important and powerful about this approach in the co-operative context is the transparency and authenticity with which it can be applied due to the mutual status of a membership based organisation constructed upon co-operative values and principles, and directed towards co-operative purposes. Its advantage for

## New Co-operative Values and Principles

### Values:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

1. Voluntary and Open Membership.
2. Democratic Member Control.
3. Member Economic Participation.
4. Autonomy and Independence.
5. Education, Training and Information.
6. Co-operation among Co-operatives.
7. Concern for Community.

## 2. What is the content of 'Co-operative' Management Development?

The first point is that 'co-operative' management development must not be seen as a ghetto. Its content addresses the same problems as other conventional management development. Awareness and ability to analyse the business environment, to recognise the threats and opportunities therein, to audit organisational strengths, weaknesses and resources. To develop strategies and policies, to plan, to implement, monitor and control. To adapt to change by identifying and managing innovation, both technical and social/organisation. To exercise leadership, motivate, develop, build teams. Establish effective communication, involvement and the acceptance of developed responsibility. To identify and maintain the highest standards of quality in the implementation,

logistics and other support and delivery processes providing customer products and services.

It is in the solutions to these problems that 'co-operative' values and principles can play a vital part by adapting and developing what is best practise in modern management and blending the insights of co-operative and mutual values to the service of our distinctive co-operative purpose.

The methodology of 'co-operative' or 'value-based management' relies on establishing within the organisation a value-based behavioural quality standard that reflects and leads customer and members' opinion in order to sharpen and differentiate the co-operative within the market place on the one hand and to ensure the reflection of this standard in the culture and values that guides the organisations'

management lies in the legitimacy that co-operative values and purpose gives to the leadership management needs to exercise in the common good that in the co-operative case really is the common good.

**3. How best can we deliver 'Co-operative' Management Development?**

It must also provide the individual manager with the flexibility to tailor their learning to suit their individual development needs both in terms of content and delivery. This theme was particularly emphasized in the report from U.S. Department of Agriculture entitled 'Co-operative Education - Task Force Final Report',

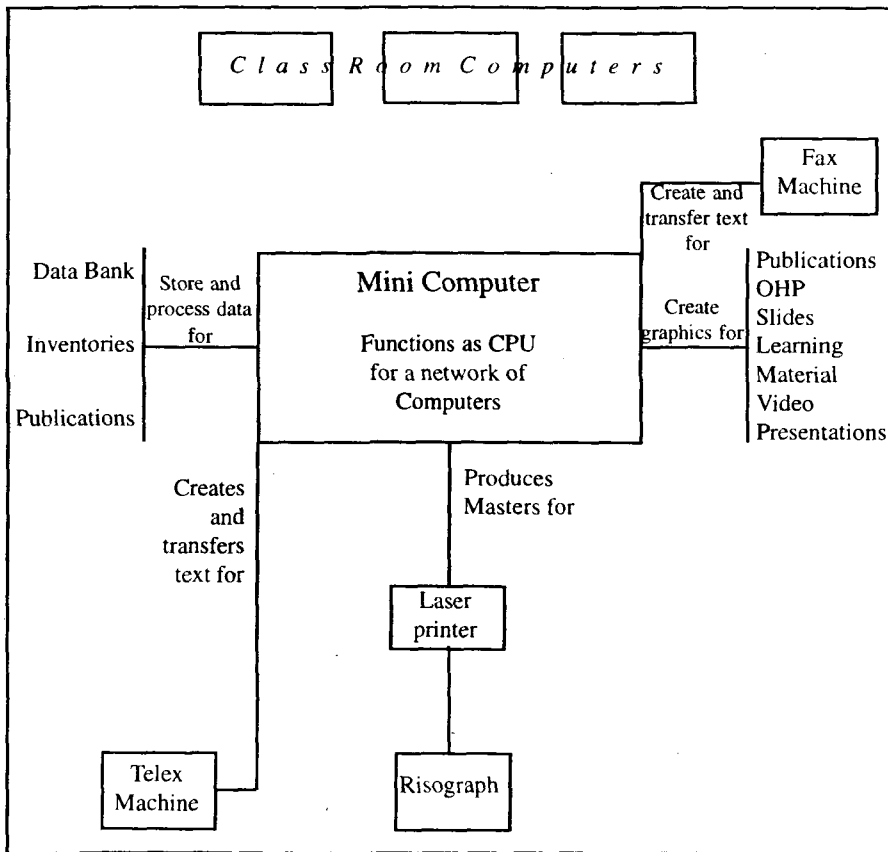
tents will loose out to those that don't. Materials and programmes must be built using technologies that allow the individual user to have complete control over the timing or schedule of use." This American research identified the need for co-operative management training to broaden its perspectives to allow for cross-fertilisation between various co-operative sectors: "bridges must be built between agricultural and other segments of our educational system, especially in the fields of business, economics and sociology. Collaborative research and curriculum development is required." That the current provision can be described at seg-

nise the common co-operative purpose, values and methods found in all co-operative associations. Managerial knowledge may be specific to a given field of activity but managerial culture, values and many of the recognised skills of effective management are clearly transferable. Building links to the various sectors within the system of educational system is helpful as the American report recognises. If such resources are to be successfully adapted to meet the management development needs of membership based organisations, there needs to be a recognition by the institutional providers of management education of the different context provided by co-operative purpose and structure. This recognition leads to co-operatives at their best to develop a distinctive co-operative management and organisational culture.

In the United States it was felt that a national clearing house was needed to collect information and descriptions of co-operative educational programmes and materials in order that a general upgrading in overall standards of co-operative management development and member education could be progressed. Co-operative case studies capable of use as vehicles for management development are few and far between at present.

The fragmented and often invalidated programmes provided for co-operative management and members does not provide an adequate incentive for people to undertake co-operative management development. We need to develop advanced validated management development programmes that will enable co-operative managers to match the mobility of their capital-based colleagues and enrich the wider co-operative movement that in today's global economy does have the size and diversity to sustain the emergence of a co-operative management with international experience and perspectives. Such a programme will itself have to be provided necessarily at the international level.

An example of the growing recognition of the importance of the international perspective in co-operative management development is provided by a recent



*A model Introducing Technology for Co-operative Training System-ICA-VAMNICOM, Pune, India*

A.C.S. Service Report 35 published in July, 1993. The report concluded "Materials must be individualised both in use and in message. Distance learning, small group methods, or one on one learning would be of increasing importance in some circumstances. Materials and systems that constrain the educator/facilitator or the audience in terms of time and con-

mented and incomplete is not in doubt. Many audiences for co-operative management development are inadequately served by materials that rarely go beyond the introductory level. The way to overcome the perception of the co-operative sectional exclusiveness and the consequential fragmentation of development provision that flows from it is to recog-

Swedish Co-operative Centre report on training for co-operative leadership. This was the result of a series of evaluation seminars undertaken with African and Asian Co-operative Managers and Development workers during the period Sept-Oct, 1992. The participants at these seminars identified a common stock of co-operative knowledge, skills and attitudes that would be essential to address in an international training programme for any identifiable group of co-operative leadership, whether professional and executive management, lay directors or government officers and development workers. This common stock of categories identified were as follows:

- i. The Political, economic and social changes and development affecting the co-operatives, both international and domestic,
- ii. Management information systems involving new technologies, management techniques, strategic planning and control,
- iii. Leadership skills and attitudes,
- iv. Co-operative values and principles,
- v. Gender sensitisation,
- vi. Protection of the natural environment.

The Report concluded 'in the context of new economic policies oriented towards the market economy, the need for greater emphasis on these aspects on the training programme should be stressed, ideally by combining and analysing linkages between co-operative values, socio-economic objectives and competitive strengths of the co-operative. Priority should be given to issues and topics related to technical and commercial aspects of management.' One has to take issue with the report regarding this question of priority for technical and commercial aspects of management training in respect of leadership. This priority may be correct at introductory and immediate levels of management development but those advanced levels of provision concerned with leadership training must emphasise co-operative purpose, values and culture in order to ensure the effective application of macro level managerial skills and knowledge. Particularly those relating to

the definition of objectives and quality, the identification of standards, and the development of policy and strategy consistent with the successful growth of the whole co-operative association.

The particular context within which the co-operative management training was being delivered was, nevertheless, recognised as being highly significant by these Swedish conducted seminars. "... Co-operative leadership training programmes cannot be properly prepared without first considering what kind of co-operative development the participants are supposed to be involved in and promote on the completion of their training." The report concluded that regional and international training programmes should be designed to provide primarily training in those areas and for those categories of personnel whom national movements' training pro-

grammes', published by the ILO had this to say on the question of learning:

"New approaches to training programmes include distance education for co-operative staff, managers and board members. Such courses are being offered in Costa Rica, Kenya, the Philippines, United Republic of Tanzania, Uganda and Zambia to name only a few. Mass media can be used for co-operative HRD, especially in those countries where the co-operative structures are weak or more informal. In the few cases where mass media was used in the past, it was conceived as co-operative education for the general public and information for potential members as, for example, in Botswana, Cameroon, United Republic of Tanzania and Zimbabwe. Recently mass media has been used for tailor-made distance learning programmes in co-operative manage-



*Fiji Co-operative Training Centre offers courses for Pacific Islands*

vision was unable to cater. This implies that introductory training would be provided locally but that the more advanced levels of training, particularly at graduate and post-graduate levels could in fact be more effectively provided at the international level.

The relevance of international experience for the provision of co-operative management development was underlined in Report 2 of the meeting of experts of Co-operatives, Geneva, March 29-2 April, 1993. The report entitled 'The Role of Human Resources Development in the Economic Viability, Efficient Management and Democratic Control of Co-op-

ment, e.g., the Costa Rica Programme of Alice Cop. These training approaches are of particular interest in countries where co-operatives are disbursed over large areas, for example in Argentina, Australia and Brazil.

They can also be an advantage in small island economies such as those in the Caribbean or South Pacific regions, where co-operatives need to take advantage of co-operative experiences and potential in neighbouring countries and where the maintenance and operations of a specialised training institution are too costly compared to the size of the population. Distance education and training were also

introduced as correspondence courses in Kenya, United Republic of Tanzania, Uganda and Zambia, because of financial constraints, the large number of trainees, and the inability of trainees to absent themselves from the workplace.

The use of mass media and correspondence courses for distance education and training also reduces the migratory effects of training which takes place over long periods in urban areas."

It was recognised by some of the literature that development agencies, both in the west and the third world that had been supporting co-operative HRD activities for many decades had not been, in general, particularly successful and that the issue of setting effective standards for training policies and programmes conducted by agencies like the ILO had not been effectively established in all cases. Paragraph 38 of the Report of the Meeting of Experts on Co-operatives, Agenda item 6 clearly indicated the need for collaboration with established and recognised providers of higher education:

"Co-operative Human Resource Development should form part and parcel of general education and be promoted at all levels of the education system. It should be included in the curriculum of educational institutions and it was noted that co-operative studies should be offered at Universities and Colleges as part of the course of economics and business management since co-operatives were among the forms

***The use of mass media and correspondence courses for distance education and training also reduces the migratory effects of training which takes place over long periods in urban areas.***

of business enterprises but having special characteristics. The meeting agreed that the establishment of school and university-based co-operatives should be encouraged because they could provide business experience to youth whilst instilling in them the principles and values of co-

operation. Furthermore, Co-operative Human Resource Development should be linked with vocational training programmes since co-operative enterprise could provide self-employment opportunities for the trained. It was also observed that where desired, recognition be given by the Ministry of Education to Diploma and Degree courses in Co-operative Studies."

### 3.1 Distance Learning

Advanced programmes leading to Masters' level accreditation for co-operative management by distance learning are clearly one important way to meet the needs and the challenges identified in the many reports (including those cited above) on Co-operative HRD.

Distance learning provides wide access and flexibility at prices that are affordable to very much wider sectors of the population than would otherwise be able to have access to University level programmes and expertise. Distance learning may be more adaptable to the social as well as economic character of the Co-operative enterprise with its importance for mobilising vast numbers of the world's poorest and often socially excluded peoples, both because of its low costs and because of the co-operative context for its delivery.

There are two elements that could support a co-operative management distance learning-based programme.

#### 3.1.1 Flexibility

Firstly, such a programme provides the flexible response needed to enable entrants to cope with the materials at an appropriate level whether elementary or fast track development.

- a) Assessment structures can permit individuals to work through the materials at the level of achievement that meets their development needs and that of the co-operative society to which they belong,
- b) Assessment levels can provide clear criteria for identification of those individuals capable of development and achieve higher academic standards that will enable them to benefit from further development,
- c) Time and place as well as pace and

depth flexibility are also important aspects of distance learning provisions enabling the most effective individual integration of work and study.

### 3.2 Co-operative self-help and the social context in individual development

Secondly, distance learning does not have to mean learning in an unsupported environment.

At the heart of the Co-operative idea is the belief in association or community as the best grounds for self-help. This is particularly relevant to the process of learning and self-development. Learning is a social process. If we apply the idea of mutuality to the learning process in an organisational context, we note immediately the mutual benefit for the individual student and their organisation. We can recognise that co-operatives can potentially provide enhanced resources and support for the distance learning student because of the co-operative values and culture that may not always be available to distance learning students in other contexts. These include:

#### a) Horizontal strategies

- i. Co-operative groups in villages and urban communities and functional settings in more complex co-operative business environments can provide a framework for peer group learning and course member support networks,
- ii. Co-operatives have education as a key principle thus local resources in terms of facilities, equipment, finance, monitoring and mentoring may be more readily available to support the student.

#### b) Vertical strategies

Structured guidance for interaction with superiors and subordinates within management hierarchies to facilitate learning and development is particularly relevant to organisations which boast that education is one of their guiding principles and is central to their organisational culture and development strategies.

#### c) Networking strategies

The widespread network of development and promotional agencies that

exist to support co-operatives such as the ICA, ILO, the & Co-operative colleges, Government departments, Funded projects, Open colleges, etc. means that there exists opportunities for otherwise under-resourced individuals to get access to sophisticated resources and materials to support their learning such as:

- \* Study skills,
- \* Access to New Technology,
- \* Access to institutional resources such as libraries,
- \* Access to supplementary/additional training facilities through local co-operative development programmes.

The range of assignments can include some that will encourage networking and other means of accessing the wide range of development facilities that exist in most environments where co-operative development is taking place.

d) *Individual strategies*

People who join and become active in co-operative enterprises are motivated individuals who believe in a philosophy of self-help and self-improvement. They have the attitude, commitment and motivation to try hard to succeed. This is equally true of individuals who aspire to positions of responsibility in the management of any form of organisation. The programme materials whilst encouraging candidates to network and to utilise the various opportunities that exist will also emphasise their personal responsibility for learning and provide guidance on time management and other self-management techniques and study methods that can help them.

e) *Towards a distinct Co-operative Management Development Programme*

The need for progress towards a management development programme that differentiates co-operative management culture from general management culture is beginning to be recognised at the highest levels within co-operative management

today. It was very much part of the international debate on the draft statement of Co-operative Identity finalised at the International Co-operative Alliance Congress held in Manchester last September, 1995.

A Diploma/Masters programme in co-operative management could provide accessible and flexible responses to the general management development needs of co-operative societies of all types at post graduate level with a fast track access to the post graduate level through an endorsed Certificate programme for able students who have not had access to undergraduate studies.

A truly international co-operative management programme will help co-operatives to break their isolation and enable the development of a global and therefore transferable management culture within the co-operative sector to rival that of the well defined management cultures of the movements' trans-national competitors. This will help to facilitate what has long been acknowledged to be the Achilles heel in the world co-operative movement - the protecting of co-operative purpose and integrity whilst adopting a professional man-

***A truly international co-operative management programme will help co-operatives to break their isolation and enable the development of a global and therefore transferable management culture within the co-operative sector to rival that of the well defined management cultures of the movements' trans-national competitors.***

agement structure and culture. Secondly, it could support the development of improved co-operation between co-operatives. This latter point is of growing urgency in the face of the opening up of national markets to growing external competition at the level of the economy, and, at the level of society the increased levels

of urban and rural poverty, unemployment and social exclusion. Today, we need more than ever programmes for co-operative management development, which creates the culture and develops the skills to enable the new generation of co-operative managers and directors to lead their co-operatives in addressing both sets of challenges. Professional managers who recognise the relationship of economic and social structures and the continuing relevance of the co-operative association in providing a socio-economic strategy leading to increased social justice and solidarity within the market economy.

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## Raising Awareness about Gender in the Co-operative Sector : A case of the State of Rajasthan, India

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Co-operatives are structures which, because of their voluntary and democratic nature have been accepted as appropriate vehicles for promoting economic and social interests especially of marginalised groups. Being democratic in character, these institutions also offer an opening for participation in management and decision making. The government policies and plans have also recognised the important role played by co-operatives in development.

The scope of co-operatives has grown tremendously from purely agricultural credit societies to encompass other areas like consumer, marketing, industry, dairy, fishery and so on. The nature of women's work concentrated quite often in the informal sector give it a potential for forming women's co-operatives, thereby aiming at organising activities as well as providing opportunities for social upliftment. The main areas of women's participation in the co-operative

movement include income generation, retail trading and thrift and credit activities. Their participation can be as members of mixed gender co-operatives or organising exclusive women's co-operatives.

It is in the above context that one has to address oneself to the question that after more than four decades of independence whether the needs and interests of both men and women have been served by co-operatives themselves, and by the various institutions that have been created to further this purpose. What are the reasons for low participation of women in co-operatives, despite the fact that women are also found to be represented in various kinds of economic activity.

Though Rajasthan is only a more extreme case of the country scenario. The

need for raising awareness for involvement of women in co-operatives, becomes even more necessary in a state like Rajasthan given the prevailing conditions of women in the state. The status of women has largely been determined by patriarchal values which have accorded



*Gender in Co-ops. Seminar at Jaipur, 1996*

an inferior position to women and has denied them equal access and control over crucial resources. This has been reinforced by centuries of history which has shaped and enhanced feudal norms still prevalent in the contemporary society. This includes aspects like female infanticide, seclusion (Purdah), sati, low educational opportunities for women and low value placed on the girl child which have contributed to the marginalisation of women in Rajasthan.

The question that arises is to what extent have the institutions that are responsible for the policies that govern co-operatives like Co-operative Department and various institutional mechanisms that are supposed to facilitate this, address themselves to respond to the needs/interests of both men and women?

The present paper attempts to focus on:

a) Gender-based analysis of the four major institutions which govern the activities of the co-operative sector in the state:

- The State Co-operative Department as a controller,
- Rajasthan State Co-operative Bank and Rajasthan State Land Development Bank as apex institutions for primary agricultural co-operative societies (PACs) and primary land development banks (PLDBs) which constitute 76.08% of the co-operative membership,
- Rajasthan State Co-operative Union which is the apex body for imparting training and education regarding co-operatives.

b) The above analysis was incorporated in the training module on 'Women and Co-operatives' prepared by the Rajasthan Team Year 1 of the GPTP. How this analysis has been used and the outcome of the training has also been discussed.

### Gender Analysis of Co-op Sector in Rajasthan

The activities of the co-operative sector in the State mainly revolves around the above-mentioned four institutions. A gender analysis of these institutions is attempted, keeping in view the rules, resources, practices, power structure and people within these institutions.

### Rules

The State Co-operative Act, rules, policies and directives of all the above four institutions hardly have any specific policy, scheme or programme for women. The co-operative principle of open and voluntary membership to all persons and democratic participation and control by all persons implicitly assumes that persons

will include both men and women, but invariably in practice only men participate, as only men have access and control over resources which can be used as collateral and security.

Similarly in the Co-operative Act and Rules, there are no women-specific provisions which can be clearly stated to be framed for the benefit of women. For example the one-family, one-member norm encourages the participation of only males as the assets are in his name. Women, therefore, are deprived of membership, partnership, as well as decision making power in co-operatives.

There is no provision for joint membership in PACs/PLDBs or any other co-operative society for reservation of seats for women in the elected boards of the co-operatives. This discourages women's participation in co-operatives as well as in their decision making. The State Co-operative Bank provides short-term and medium-term loans for agricultural purposes to its members through central co-operative banks and PACs. The State Land Development Bank provides long-term loans for agricultural purposes to its members through PLDBs. Since members required to provide collateral and security for securing these loans, women are deprived of membership of these co-operative institutions because the land/assets are not in their names. The membership of PACs and PLDBs constitute approximately 76.08% of the total membership of co-operatives in Rajasthan.

The State Co-operative Union which is responsible for training, education, awareness generation, research and publicity about co-operation amongst the masses, members of co-operative societies and departmental officials also has very few schemes/programmes for imparting training/education to women.

#### Resources

The departmental plan in centrally sponsored schemes and the state plan have very little provisions for women co-operatives in comparison to other types of co-operatives. The budgetary provision for the year 1993-94 under centrally sponsored schemes had a provision of 1534.74 lacs against which there was no provision

for women co-operative societies. Similarly under the State Plan, the budgetary provision for 1993-94 was 1600.18 lacs against which there was a provision of only 1.5 lacs for women co-operatives.

A dialogue with the senior officials of the State Co-operative Bank and the State Land Development Bank revealed that there were very few specific provisions, programmes or schemes to promote women interests in co-operatives. The State Co-operative Union programmes also have very little financial provision for organizing training and education programmes for women.

#### Practices

In practice, the societal factors also inhibit women's involvement in co-operatives in Rajasthan. The women's role is confined as a home-maker, while the man has the role of bread-winner. Therefore, the women are unable to take an initiative to become members of co-operatives.

Women's restricted mobility within the

complex paper work for which even literate persons have to depend upon the department/institutional officials who are mostly men, not sensitive to women's needs. Women in Rajasthan, especially in rural areas are unable to cope with this due to low literacy level, low self-confidence and social constraints of dealing with male officials.

The women, even after becoming members of a co-operative society or forming their own exclusive women co-operative society, often continue to be harassed by departmental officials (Inspectors) during audit, inquiry, inspection, which are mandatory. Such practices have been done away with in Andhra Pradesh, where the State Co-operative Act has a chapter which gives recognition to the self-help groups (SHGS) but this is not the case of Rajasthan.

#### People and Power

The staffing pattern of the co-operative department, RSCU, RSLDB and RSCU

	State Co-op Department	RSCB	RSLDB	RSCU	CCBs
Male Officials	2,629	345	187	77	3,874
Female Officials	80	12	11	4	71
Total	2,707	357	198	81	3,945

family leads to further restricting her mobility in the community. They are often forbidden to step beyond their isolated households, leave alone village boundaries, to obtain access to resources offered by the state. Hence it is only men who benefit from majority of the resources.

The co-operative societies are often characterized by rigid timings and inaccessible locations which are not suited to women, thereby restricting their participation.

The procedures for registration of co-operatives, for seeking membership of a co-operative or for obtaining loans and availing facilities through a co-operative are inflexible and involve lengthy and

has very few female officials (see Table 1). Moreover the women officials are also generally not dealing with issues related to women. The people responsible for implementation and execution of departmental/institutional schemes and programmes are mostly men, who are not sensitive to the women's needs and issues.

The managing committees and administrators of various state level, district level and primary level co-operative institutions (other than all-women co-operative institutions) also have virtually no women representation and as a result only men are involved in decision making and policy formation. Power and authority is therefore mainly vested in the male officials/

office bearers (see Table 2).

### The Training Programme

Table 2

#### Involvement of Women in various Co-operatives in Rajasthan

(Figures as on 31.3.1992)

PACs PLDBs
76.08%
Members mainly males- Land/Assets in their name

Other Co-op Institutions
23.83%
Members mostly Males - Women 1%

All Women Co-ops
0.10%
Members women

A week-long training programme on 'Empowerment of Women in Co-operatives' was conducted in August 1993 at the HCM RIPA, Jaipur in which the cutting-edge level officers of the co-operative department, the unit level Deputy Registrars and Assistant Registrars, participated. These officers who are the real implementors of the policies and programmes of the co-operative department, were exposed to the various issues raised in the training module. They were also taken for field visit of successful women co-operative societies and were made to go through case studies of successful women co-operative institutions of

Rajasthan and other states; the Mahila Samiti Bhojisar, Bikaner, Vijaypura Women Dairy Co-operative Society, Jaipur district, Rajasthan; Kutumsakhi Co-operative Women's Industrial Society, Bombay. The Sewa promoted Mahila Sahkari Bank, Ahmedabad, National Union of Working Women, Tamil Nadu, Co-operative Development Foundation, Hyderabad.

The participants were also engaged in an exercise on the basis of their field experiences to elicit their views regarding the following:

- Analysis of the State Co-operative Act and Rules and also departmental policies/programmes with reference to involvement of women in co-operatives. Identification of problem areas and suggestions for their improvement.
- Difficulties faced in planning the formation of women's co-operative societies, suggestions for overcoming them and the support structure required.
- Advantages and disadvantages of forming women's co-operative societies with suggestions.

#### Feedback of Participants

- The training gave them an exposure to existing gender inequalities in society and a clear understanding of gender differences in household market, community and state,

*There is no provision for joint membership in PACs/ PLDBs or any other co-operative society for reservation of seats for women in the elected boards of the co-operatives. This discourages women's participation in co-operatives as well as in their decision making.*

- The training provided an exposure to the existing gender biases in the co-operative sector in Rajasthan,

- A platform was provided to think and discuss gender issues in co-operatives,
- An opportunity given to analyze 'traditional thinking' on women,
- An opportunity given for interaction with fellow officers to collectively understand and discuss issues of women and development,
- Women officers got 'space' to articulate their views and opportunity for self-evaluation of their attitudes towards women.

The participants took a collective decision to:

- adopt at least one women's co-operative society,
- work towards organized new women's co-operatives and associate more and more women with the movement,
- try and change the views and attitudes of other officers in the department.

#### Follow-up workshop

At the end of the training, the participants had requested that a 'follow-up workshop' be organised. After a gap of one year in August, 1994, a follow-up workshop was organised to review the impact of the training. During the 'follow-up workshop' the participants discussed their achievements and the difficulties they faced in the field.

Among the achievement they mentioned:

- Formation of district level women co-operative banks in Jaipur, Udaipur, and Kota district. Similar proposals were under way in Dungarpur, Pali, Alwar and Chittorgarh district.
- About 50 new primary women co-operative societies were registered by seven officers.
- Formation of thrift co-operative groups in rural areas of Udaipur, under NCUI project.
- Separate 'women branch' of Udaipur Central Co-operative Bank formed to facilitate women.
- Review of non-functional women co-operative societies done for reviving them.
- Marketing facilities provided for the

products of women co-operative societies in Kota through co-operative consumer stores.

- \* Preparation of proposals for providing financial assistance to women co-operative societies done on priority basis.

They also identified the difficulties/hurdles faced:

- i. Lack of awareness about co-operatives among women, specially in rural areas.
- ii. Lack of training and guidance for the formation of women's co-operatives.
- iii. State Co-operative Act, Rules, Bye-laws and procedures for formation of women co-operatives are complicated

- \* review and monitor the activities of the existing women's co-operative societies in the state,

- \* survey the possibilities of organizing new women co-operative societies,

- \* plan and implement projects for women co-operative societies,

- \* examine proposals for providing financial assistance to women co-operative societies.

- One Assistant Registrar has been placed in all zonal offices to monitor and review the activities of women co-operative societies.
- One Inspector has been placed in all unit

*"The women, even after becoming members of a co-operative society or forming their own exclusive women co-operative society, often continue to be harassed by departmental officials (Inspectors) during audit, inquiry, inspection, which are mandatory"*

for publicity and awareness generation for co-operatives among women only.

- 2 women Urban Banks each in Jaipur and Udaipur and one in Kota formed with much more membership and share capital than that desired by RBI directives.
- Proposals for provision of financial assistance upto Rs.11 lacs to 11 women co-operative societies sent to Government of India, sanction for which is awaited.

#### **Future strategies in terms of training inputs and state government efforts**

- i. A workshop was held in November, 1994 to review and amend the State Co-operative Act, Rules, Bye-laws and Procedures. Amendments from gender perspective are under consideration for submission to the state government.
- ii. A state level conference was organized by Rajasthan State Co-operative Union in November, 1994 with the objective of development and progress of women co-operative societies and to generate awareness for co-operatives among women. The need for a co-ordinated action between the programmes of women and child development, i.e., DWCRA, WDP, ICDS and Co-operative Department was also stressed.
- iii. Promotional activities and awareness generation camps for increasing involvement of women in co-operatives has been made thrust areas for the departmental officials.
- iv. RICEM has been directed by the RCS to add more programmes for women's co-operatives and to provide input for gender sensitization in all other training.



*Women Handloom Weavers of Rajasthan*

and should be reviewed, simplified and made gender sensitive.

- iv. No proper marketing support for marketing the products of women co-operative societies.
- v. Lack of planning at local level regarding formation of women's co-operative societies, increasing their membership, share capital and providing them financial assistance.

The follow-up workshop also provided an orientation to the participants for post-workshop period.

#### **Action Taken (Post Training) by Department for encouraging women's participation in co-operatives:**

- A separate 'Women Cell' has been formed in RCS office since July 1994 with a senior lady Deputy Registrar as officer-in-charge to:

offices to assist and educate women in organizing women co-operative societies.

- In the Co-operative Awareness Generation Camps organized by the department during October-November, 1994 increasing women membership in co-operative societies and organizing new women co-operative societies was made an important Agenda item. 8,131 women were enrolled as new members in various co-operative societies (which earlier as on 31.3.92 was 7,170) and 7 new women co-operative societies formed during these camps.
- Gender desegregated data collection initiated at departmental level.
- 25% of the budget allocation to Rajasthan State Co-operative Union directed by RCS to be utilized exclusively

**H**uman Development Report 1996 of the UNDP has introduced a new tool for measuring poverty which has been a debate continuing for two decades. The early measurement tool used as the standard of living in relative terms had different meaning in different contexts. Current expenditure or income has been a usual measurement tool used for the purpose.

Using the argument as human capabilities are ends than income, deprivation of basic capabilities, for reaching an acceptable level of essential human achievement has been considered as poverty by the authors of Capability Poverty Measure (CPM).

The report argues that "what is needed is a more people-centred measure of poverty that recognizes that human deprivation occurs in a number of critical dimensions". Lack of income is just one dimension only.

The UNDP report differentiates CPM from Human Development Index (HDI) in that it focuses on people's lack of capabilities rather than on the average level of capabilities in a country. HDI uses income, but CPM uses other factors as well. Therefore, one could see some countries having lower HDI score a higher CPM ranking, which means that some countries have done relatively better in raising average capability than in reducing capability

development is the end and economic growth is a means. Linking these two concepts, the report makes several conclusions:

- Over the past 15 years, while some countries show a spectacular economic advancement, at least 100 countries have failed in growth.
- Widening economic disparities are evident and polarization takes place. The poorest 20% of the world's people saw their share of global income decline from 2.3% to 1.4% in the past 30 years, whereas the share of richest 20% grew from 70% to 85%.

## The Capability Poverty Measure - A new tool for poverty measurement

The new CPM uses 3 indicators for measurement:

- living a healthy, well nourished life,
- having the capability of safe and healthy reproduction,
- being literate and knowledgeable.

ity poverty and others have done relatively better in reducing capability poverty than in raising average capabilities.

Another special feature of UNDP report is linking economic growth with human development. It maintains that human

- New approaches are needed to expand and improve employment opportunities, so that people can participate in growth.

- New patterns of growth will need to

...Continued on page 12)

**Table 1.1**  
Per capita income of the poorest 20%, 1993 (PPP\$)

Country	Average per-capita Income	Per capita income of the poorest 20%
USA	24,240	5,814
Japan	20,850	9,070
Netherlands	17,330	7,105
United Kingdom	17,210	3,958
Korea, Rep. of	9,630	3,563
Chile	8,400	1,386
Hungary	6,050	3,297
Brazil	5,370	564
Guatemala	3,350	352
Indonesia	3,150	1,370
Nigeria	1,400	357
India	1,220	537
Bangladesh	1,290	613
Nepal	1,020	464
Guinea-Bissau	840	88
Tanzania	580	70

Source: Basu, 1995

**Table 1.7**  
Capability poverty and income poverty (percent)

Country	People who are capability poor (CPM) - 1993	People who are income poor (head count index)
Bangladesh	76.9	47.5
India	61.5	25.4
Pakistan	60.8	34.0
Guinea-Bissau	56.6	49.0
Morocco	49.7	13.1
Uganda	45.9	55.0
Indonesia	42.3	16.7
Ghana	39.3	35.9
Kenya	33.8	37.0
Tunisia	29.9	14.1
Peru	25.7	32.0
Zimbabwe	22.3	25.5
Thailand	21.1	21.8
Sri Lanka	19.3	22.4
China	17.5	10.9
Venezuela	15.2	31.3

a. Most recent year available.

(Source: Human Development Report Office and World Bank 1995c)

Technical Note Table 3.1  
Capability Poverty Measure - Asia-Pacific

CPM Rank		Capability poverty measure (CPM) value	Births unattended by trained health personnel	Underweight children under age five 1983-94	Female illiteracy rate (%) 1985-95	Real GDP per capita (PPPS) 1993	Real GDP per capita (PPPS) rank 1993 minus CMP rank
8	Hongkong	7.3	0	9b	12.9	21,560	-6
9	Singapore	7.7	0	8b	15.0	19,350	-5
11	Korea, Rep. of	8.6	11	11b	3.9	9,710	-3
12	United Arab Emirates	9.9	1	7	21.8	20,940	-9
14	Kuwait	10.8	1	5	26.4	21,630	-23
17	Mongolia	12.6	1	12	24.4	2,090	41
19	Jordan	14.2	13	6	23.3	4,380	8
24	China	17.5	6	17	29.1	2,330	26
26	Sri Lanka	19.3	6	38	13.8	3,030	15
27	Vietnam	20.1	5	45	10.5	1,040	50
29	Malaysia	20.6	13	25	23.7	8,360	-17
30	Thailand	21.1	29	26	8.6	6,350	-14
38	Saudi Arabia	25.1	10	13	57.4	12,600	-33
42	Philippines	28.8	47	33	6.1	2,590	3
43	Iran, Isl.Rep.of	29.8	30	16	43.6	5,380	-20
48	Syrian Arab Rep.	32.7	39	12	47.0	4,196	-19
51	Myanmar	34.4	43	37	23.4	650	45
53	Maldives	35.5	43b	56	7.4	2,200	0
59	Iraq	39.9	50	12	57.7	3,413	-26
61	Cambodia	42.0	53	38	35.0	1,250	10
62	Indonesia	42.3	64	40	23.1	3,270	-25
75	Papua New Guinea	49.8	80	30	39.4	2,530	-29
80	Lao People's Dem.Rep.	54.6	52b	54	57.9	1,458	-13
87	Pakistan	60.8	65	40	77.0	2,160	-33
89	India	61.5	67	53	64.0	1,240	-17
96	Bhutan	68.2	93	38	73.8	790	-9
99	Afghanistan	72.5	91	40	86.5	819	-14
100	Bangladesh	76.9	90	66	75.0	1,290	-30
101	Nepal	77.3	94	51	87.0	1,000	-22

a. A positive figure indicates that the CPM rank is better than the real GDP per capita (PPP\$) rank, a negative the opposite

b. Human Development Report Office estimate

Source: Column 2: UNICEF 1996; column 3: WHO 1995a and UN 1992; column 4: UNESCO 1995b; column 5: calculated on the basis of estimates from World Bank 1995h.

be developed and sustained well into the 21st century - to prevent ever more extreme imbalances and inequality in the world economy.

- New mechanisms must be developed to help the weak and vulnerable seize the opportunities of the new global economy, while protecting them from marginalization.

## HUMAN DEVELOPMENT INDEX - ASIA-PACIFIC

Table 1.8

## HDI ranking for industrial countries, 1993

Country	HDI Value	HDI Rank	Real GDP per capita (PPP\$)	Real GDP per capita (PPP\$) rank minus HDI rank
Japan	0.938	3	9	6
Australia	0.929	11	18	7
New Zealand	0.927	14	24	10
Israel	0.908	24	28	4
Turkmenistan	0.695	90	92	3
Uzbekistan	0.679	94	104	11
Kyrgyzstan	0.663	98	108	11
Tajikistan	0.616	105	137	33

a. A positive figure indicates that the HDI rank is better than the real GDP per capita (PPP\$) rank, a negative the opposite.

### National Seminar on Rediscovering Co-operation Three Volumes of Seminar Papers

"Rediscovering Co-operation" is an ambitious collaborative research effort organised by the Institute of Rural Management, Anand (IRMA), to commemorate the Golden Jubilee of the Kaira District Co-operative Milk producers' Union, popularly known as AMUL. The collaborative research was under three sub-themes: Bases of Co-operation, Strategies for the Models of Tomorrow and Co-operatives in the Emerging Context. Out of more than 100 papers received from all over the country, 59 papers, edited by R. Rajagopalan, are included in these three volumes, one on each sub-theme. Volume I, Bases of Co-operation, contains 17 papers on drawing from life sciences, economics, sociology, anthropology, ethics and political science. Paperback, 1996, 368 pages, Rs.300 (overseas US\$30).

**Volume II, Strategies for the Models of Tomorrow**, contains 18 papers which discuss innovative possibilities for co-operatives in irrigation, rural finance, minor forest produce, sericulture and fisheries. The lead papers search for the AMULs of 1945 among the organisations operating in the length and breadth of India today and explore strategies to make them as salient as the AMULs of today. Paperback, 1996, 524 pages, Rs.400 (Overseas US\$40).

**Volume III, Co-operatives in the Emerging Context**, contains 24 papers. They explore the ways and means of preserving the spirit, viability and hence the relevance of co-operatives. How are individual co-operatives responding to the challenges posed by the economic reforms? Which are the new sectors being opened up for co-operatives? How should co-operatives help each other? Paperback, 1996, 548 pages, Rs.400 (overseas US\$40). Price of three volume set Rs.1000 (overseas US\$100).

Please send your order along with demand draft in favour of:

**Institute of Rural Management Anand, payable at Anand to:**  
The Dy. Librarian, IRMA, Post Box No.60, Anand 388001, Gujarat, India

Table 1.9  
HDI ranking for developing countries, 1993

Country	HDI Value	HDI Rank	Real GDP per capita (PPP\$)	Real GDP per capita (PPP\$) rank minus HDI rank
Hong Kong	0.909	22	6	-12
Korea, Rep. of	0.886	29	39	9
Singapore	0.881	34	13	-21
Brunei Darussalam	0.872	36	19	-18
Bahrain	0.866	39	27	-12
United Arab Emirates	0.864	42	8	-34
Fiji	0.853	47	57	10
Qatar	0.839	50	3	-47
Kuwait	0.836	51	5	-46
Thailand	0.832	52	50	-3
Malaysia	0.826	53	45	-9
Iran, Islamic Rep. of	0.755	66	59	-7
Jordan	0.741	70	69	-1
Oman	0.716	82	37	-45
Korea, DPR.	0.714	83	97	15
Sri Lanka	0.698	89	96	8
Syrian Arab Rep.	0.690	92	73	-19
Philippines	0.666	95	102	8
Indonesia	0.641	102	88	-13
Maldives	0.610	107	115	9
China	0.609	108	110	3
Iraq	0.599	109	155	-24
Mongolia	0.580	112	85	-26
Solomon Islands	0.563	118	113	-4
Vanuatu	0.562	119	106	-12
Vietnam	0.540	121	147	27
Papua New Guinea	0.504	126	103	-22
Myanmar	0.451	133	168	35
Pakistan	0.442	134	118	-15
India	0.436	135	141	7
Lao People's Dem. Rep.	0.340	138	135	-2
Yemen	0.366	142	133	-8
Bangladesh	0.365	143	139	-3
Nepal	0.332	151	149	-1
Cambodia	0.325	156	140	-15
Bhutan	0.307	159	157	-2
Afghanistan	0.229	169	156	-13

a. A positive figure indicates that the HDI rank is better than the real GDP per capita (PPP\$) rank, a negative the opposite.

**BALANCE SHEET OF HUMAN DEVELOPMENT - DEVELOPING COUNTRIES****PROGRESS****DEPRIVATION****HEALTH**

- \* In 1960-93 average life expectancy increased by more than a third. Life expectancy is now more than 70 years in 30 countries.
- \* Over the past three decades the population with access to safe water almost doubled - from 36% to nearly 70%.
- \* Around 17 million people die each year from curable infectious and parasitic diseases such as diarrhoea, malaria and tuberculosis.
- \* Of the world's 18 million HIV-infected people, more than 90% live in developing countries.

**EDUCATION**

- \* Between 1960 and 1991, net enrolment at the primary level increased by nearly two-thirds - from 48% to 77%.
- \* Millions of children are still out of school- 130 million at the primary level and 275 million at the secondary level.

**FOOD AND NUTRITION**

- \* Despite rapid population growth, food production per capita increased by about 20% in the past decade.
- \* Nearly 800 million people do not get enough food, and about 500 million people are chronically malnourished.

**INCOME AND POVERTY**

- \* During 1960-93, real per capita income in the developing world increased by an average 3.5% a year.
- \* Almost a third of the population - 1.3 billion people - lives in poverty.

**WOMEN**

- \* During the past two decades, the combined primary and secondary enrolment ratio for girls increased from 38% to 78%.
- \* During the past two decades, fertility rates declined by more than a third.
- \* At 384 per 100,000 live births, maternal mortality is still nearly 12 times as high as in OECD countries.
- \* Women hold only 10% of parliamentary seats.

**CHILDREN**

- \* Between 1960 and 1993 the infant mortality rate fell by more than half - from 150 per thousand live births to 70.
- \* The extension of basic immunization over the past two decades has saved the lives of about three million children a year.
- \* More than a third of children are malnourished.
- \* The under-five mortality rate, at 97 per thousand live births, is still nearly six times as high as in industrial countries.

**ENVIRONMENT**

- \* Developing countries' contribution to global emissions is still less than a fourth that of industrial countries, though their population is four times the industrial world's.
- \* About 200 million people are severely affected by desertification.
- \* Every year some 20 million hectares of tropical forests are grossly degraded or completely cleared.

**POLITICS AND CONFLICTS**

- \* Between two-thirds and three quarters of the people in developing countries live under relatively pluralistic and democratic regimes
- \* At the end of 1994 there were more than 11 million refugees in the developing worlds.



# A Just Blend for Producers and Consumers

## The Fair Trade Labelling Scheme of TransFair International

Dr. Martin Kunz

General Secretary, TransFair International

In 1968, a part of Ambootia Tea Estate in Darjeeling crashed into the valley below, constituting the biggest landslide in the Himalayas and all of South Asia.

In 1995, the first Fair trade premiums reached Ambootia T.E. "The Joint Action Committee at the garden decided that the most important point for the existence of the plantation was the stability of the landslide. You can imagine every morning a worker getting up and seeing this calamity and feeling insecure about himself and his future generations, because if this landslide is not checked it could wipe out the entire area of Ambootia T.E. and make all the residents of about 4,800 homeless, jobless, and that is the worst kind of fear a human being can have."

Fair Trade as a concept is about as old as the landslide in Ambootia T.E. Yet it has taken until 1995 for 'Fair Trade to meet the landslide', so to say.

### Early Days

Fair Trade (or, as it was originally called 'Alternative Trade') is a concept which originated in the Netherlands in the 1960s. People there realized that structural injustice dominated international trading patterns to a large extent: The terms of trade are highly disadvantageous for producers of commodities like coffee and tea, who get less and less in real terms for their products, whereas industrial products become every more expensive, a major root cause of the international debt crisis. Right

from the start, it has been the aim of Alternative Trade to address this in just structure and try to provide a better deal to disadvantaged producers in so-called 'Third World Countries'.

Nowadays, there are Alternative Trading Organizations (ATOs) active in most Northern consumer markets. Typical for all of them is that they trade themselves, purchasing as directly as possible from (mostly) small producer groups, dealing in consumer items (tea, coffee, spices...)



*A contentious commodity for fair trading*

as well as in handicrafts, and selling mostly to specialized Third World Shops and/or via catalogues. Recently, often in parallel with the emergence of Fair trade labelling, ATOs have also been branching into regular retail outlets and into the health food market. Combining all marketing channels, the biggest ATO (GEPA in Germany) last year posted an annual turnover of DM 55 Million. The physical limitations of this 'classical' alternative trade were brought into painful focus, when in 1989 the International Coffee Agreement collapsed. This resulted in

immense pressure from producers, who were looking for more sales opportunities at Fair prices instead of the world market prices, which after 1989 at times were as low as half the cost of production).

Fortunately, at the same time ethical awareness among a segment of consumers was growing, which had its roots in health and environmental concerns, but which at the turn of the decade also related to the conditions under which a certain product was produced, too.

### From Niche Market to Mainstream

Again it was the Netherlands which took the lead in developing an imaginative solution. In order to increase Fair Trade, it was obviously necessary to sell via regular retail outlets, and to get conventional traders to participate. So instead of trading itself, the Dutch Max Havelaar Foundation basically standardized the Fair Trade coffee criteria

of the ATOs, offered these criteria by means of a licence contract to all traders who were interested, and in turn permitted them to use their seal. The seal itself was and is (like all others after it) supported by a wide base of non-government organizations active in development work, environment, consumer affairs, trade union activities, women's and youth organizations.

Once motivated for Fair Trade, it becomes a powerful lobby for disadvantaged producers. And when supported by media and interested traders, the idea turns into impressive figures.

## Going International

In 1992, TransFair International was founded to promote the international spread of Fair trade marking in general, and the use of the TransFair seal in particular. The international association now has national member associations in Germany, Austria, Luxembourg, Japan and Italy (all already active in labelling), as well as Canada and the USA (at present preparing their market launch). Other Fair trade mark initiatives exist in the Netherlands, Belgium, France, Switzerland, Denmark, and the U.K. Products being labelled at present include coffee, tea, cocoa, sugar (i.e. chocolate), and honey.

## How does it work?

For every product under a label, there are basic 'criteria pillars', which are adapted to fit the specific situation of each product concerned:

- The first criteria is a specification of the (organizational) type of disadvantaged producers which can be accepted as partners in Fair Trade of a particular product. One reason for this is obviously practical: Fair Trade will never be able to cover all disadvantaged producers of a certain product. However, even more importantly, there is the need to ensure that the primary producers which actually produce a particular product are organized in such a way, that ideally all of them can at least participate in all decisions related to the use of any extra benefits (premiums) that might result from Fair Trade. In tea, this is why TransFair insists in every co-operating garden on the installation of a Joint Body, i.e. a committee in which 'representatives of the majority of the workers' decide together with representatives on how to spend any extra benefits of Fair Trade. Thus co-operation is a pre-condition for successful participation in FairTrade, but in any case no decision can be taken against the workers' representatives, and no schemes can be approved which would pay for tasks which are statutorily to be provided by management.

All producers complying with these criteria are listed in a 'producer register'.

- A Fair Price: The Fair price consists of two components: It has to cover as a minimum the Cost of Production (COP) of the producers, and on top of that there has to be a margin or premium, which is meant to give the producer some freedom for 'investment in to the future'. However, and in line with the first criteria, it is a cardinal principle of Fair Trade never to prescribe what the producers have to spend the extra money on. It is money which the producers have earned, so it is their right to decide. Fair Trade just tries to make sure that those involved in the production decide together.

On the other hand, once the producer confirms that a COP-price has been paid, it increases the pressure on him to meet all statutory requirements (something which at the time of loss making naturally does not always happen). On top of this COP-related market price, the importer has to pay an additional Fair Trade premium of DM 2.50/kg (irrespective of the type of tea purchased). For tea marketed as 'certified organic', the premium is DM 3/kg. For monitoring purposes these premiums have to be paid into separate accounts at the garden level.

**Lastly:** TransFair forfeits 1/3 of its licence fee in all cases where packing takes



Banana - A commodity for Fairtrading

In line with the overall aim to help improve the living and working conditions of the producers, Fair Trade also tries to encourage sustainable production methods, which is why for all certified organic products extra premiums have to be paid (on top of the Fair Trade bonus).

In the tea, the COP Rule is applied in the following way: Importers have to register all Fair Trade imports with TransFair International, specifying compliance with the trading criteria. The information provided by the importer is passed back for confirmation to the producer in question. One item asks: "The buyer has informed us that the price quoted by you". If it comes to light that the buyer has put pressure on the producer in order to get a bargain price, his authority to act as a TransFair approved trader might be can-

place in the country of origin. This, of course, is in line with trying to promote a higher level of value addition in the countries of origin.

- The other two basic criteria relate to areas which are usually not critical in tea-trading, so it suffices to just briefly mention them: One concerns a provision for (partial) advance payment, so that producers may not fall into debt until sales can be realized, and the other aims to promote longer term trading relationships, so that producers will have some planning security.

## Trust is good, Monitoring is better

The value of criteria depends totally on the strictness with which they are being monitored. In the buying countries TransFair makes use of one of the most

respected legal companies for all contracts and court-related work. In the producer countries TransFair has right from the beginning taken on highly qualified local consultants, who check out new applicants who are in charge of the ongoing monitoring of the decision making processes (Joint Bodies) and the use of Fair Trade premiums.

### The First Year

Exactly one year after the launch, on December 6th, 1995, Trans Fair-Germany organized a press conference in the press club in Bonn to provide figures and background information for the first year of tea had been registered TransFair-label: Within twelve months, 401 tons of tea had been registered with TransFair International, as having been imported under Fair Trade criteria.

These quantities were supplied by 32 'approved sources' (mostly tea estates) in Darjeeling (12), Assam (4), South India (3), Sri Lanka (7), Nepal (1), Tanzania (3), Zimbabwe (2). When tea labelling started, the register had consisted of 15 sources. Expansion was the result both of producers approaching TransFair on their own, as well as of interested traders suggesting traditional suppliers for inspection and inscription. TransFair has refrained from actively canvassing for additional producer groups, since it aims to keep a reasonable balance between the numbers of suppliers and the opportunities for Fair Trade. In other words: Only if further consumer markets start to Fair Trade labelling of tea, will it make sense to expand the register much beyond its present size.

Just under 50% of the Fair Trade imports so far were also certified by organic inspection agencies (foremost amongst the producers: Makaibari T.E. in Darjeeling and Stassen's Indulgashinna in Sri Lanka). In other words: Tea Traders using the TransFair-seal were quick to spot the tremendous marketing advantage of selling a product which is both environmentally and socially sound.

Quite early on in the history of Fair Trade labelling, the manager of a German supermarket had encouraged his colleagues at a conference in Paris to par-

ticipate in Fair Trade: Labelled products might not turn as fast as loss leaders, but they provide a Fair share for retailers, too. The retail figures for TransFair - Germany bear him out: 23 authorised importers and 33 licensed packers (including the two market leaders, as well as most of the speciality trade) have signed contracts with TransFair. Out of the total registered imports, 170 tons of tea have already been sold under the TransFair label, a quantity which equals more than 2% of all black tea consumed in German households.

*"The Fair price consists of two components: It has to cover as a minimum the Cost of Production (COP) of the producers, and on top of that there has to be a margin or premium, which is meant to give the producer some freedom for 'investment in to the future'. However, and in line with the first criteria, it is a cardinal principle of Fair Trade never to prescribe what the producers have to spend the extra money on. It is money which the producers have earned, so it is their right to decide. Fair Trade just tries to make sure that those involved in the production decide together"*

### From Sportsday to Pension Funds: First Fair trade premium results

The 401 tons imported under Fair trade also stand for DM 1.1 Million in Fair Trade premiums paid to the producers. As explained above, the only ones authorised to decide on how this money will be spent are the Joint Bodies of the gardens which supplied the tea. And as was to be expected, a new scheme like TransFair had to overcome quite a number of obstacles, both technically as well as psychologically. To give an example: it came as no surprise, that most of the projects approved by Joint Bodies in the first year were suggested by managers, although the

TransFair monitoring system makes sure that no decision is taken against the interest of the workers' representatives. It also makes sure that the Fair Trade premium is not spent on schemes which would subsidise statutory obligations of the garden owners (which is why housing projects were not permitted in Sri Lanka). Even so, the range of schemes undertaken or started is quite impressive in range and imagination: A number of projects focus on alternative training opportunities (computer education in the gardens), or employment for unemployed youth (vegetable growing under glass; orchid growing). For the age group below stipends are provided. A pioneering idea is the pension fund, which will provide a reliable additional income for retired workers (who increasingly can no longer expect to be taken care of by joint families, since these are often falling apart). In this particular garden, workers and management have decided to save up the Fair Trade premium until early 1997, when the fund (which is the first of its kind in the plantation sector) will become operational.

Not all gardens have received premiums large enough to even contemplate such far-reaching concepts. Smaller benefits have paid for musical instruments for workers' clubs, or a sports and cultural day for the whole garden (with the management paying the wages) - the first such event after almost 30 years!

Other options include improvements over statutory requirements, like providing for specialized medical treatment, or speeding up the provision of electricity to villages. And there are some social afforestation projects going on, which provide not only additional income for the workers, but also a healthy environment for all those who live and work in that garden.

Physically the biggest scheme is to use TransFair money in the long overdue attempt to arrest landslide in Ambootia, the biggest in South Asia, and a threat to the health of the garden and the future of the workers. And while, looking back after just one year, the transFair scheme has not exactly taken on landslide proportions yet, it has nevertheless developed faster and stronger than expected. □

# Economic development and job creation - Some innovative experiences from Québec Co-ops

Claude Béland

Let me first draw an overall picture. The Province of Québec is a nation of some 7 million people distributed over a territory three times as large as France and forty times the size of Switzerland. This territory is divided into over 1,500 municipalities. Its economy is generating a Gross Domestic Product of some 160 billion Canadian dollars, which gives its population a standard of living comparable to that of people living in Austria, Belgium and the Netherlands. In terms of GDP, Québec comes eleventh among OECD countries. Finally, within the North American demographic environment comprising some 300 million English-speaking persons, French is the language of 80% of Québec's people.

## A Major Financial Network

Over the years, the men and women of Québec have built a full-fledged financial institution called the *Mouvement des*

*caisses Desjardins* which has been for some time, throughout Québec, a major network of financial institutions responding to the financial needs of the province's various economic agents. It is also a modern dynamic co-operative organization, whose mission is to contribute to the economic and social well-being of individuals and communities.

Today, 93 years after the first *caisse populaire* was founded by Mr. Alphonse Desjardins, in excess of 4,500,000 persons are members of the 1,325 local *caisses populaires* or credit unions, linked together by a direct-access data processing system. The local Desjardins *caisse* is the lone financial institution in no less than 675 towns in Québec.

The *caisses* are regrouped into federations who, in turn, have set up a Confederation, whose role mainly consists in orientation and coordination functions, as well as supervision of the activities and representation for the *Mouvement's* individual components. The federations and the Confederation have also set up a central finance facility and a security fund. Besides, three more federations of French-speaking *caisses populaires* in three other Canadian provinces, Ontario, Manitoba

population. We are actually ahead of all our competitors in each major savings and credit market in Québec. The province's leading financial institution and largest private employer, Desjardins can count on over 17,000 elected volunteer officers and 36,000 employees.

## First of all, a Co-operative

The size and the continued growth of the *Mouvement des caisses Desjardins* did not result from chance or from an obsession with profits or power. Our progress and success were in fact due to the pride of the people, to their confidence in themselves, and their strong social consciousness, as well as to dedicated hard work. Then, if all these factors worked out well, it was because of the co-operative nature of the project laid out and initiated by Mr. Desjardins.

It is true that the savings and credit co-operative model defined by Mr. Desjardins at the end of the



Claude Merville (2nd from left) was the DID representative for the 1st Study Workshop on Coops in Vietnam in June 1992

and New Brunswick, are affiliated with the Desjardins Confederation.

Finally, in addition to its savings and credit sectors, the network of Desjardins *caisses* owns and controls some 15 complementary corporations operating in the fields of insurance, trust services, industrial and commercial credit, investment, discount brokerage, transportation of securities and credit card services.

As at December 31, 1992, the various components of the *Mouvement des caisses Desjardins* held combined assets of 56.5 billion Canadian dollars, which means that, over the years, the *Mouvement* has gained a most interesting share among the suppliers of financial services in Québec, now serving two-thirds of the Province's

last century centered on one major concern: the gathering of every one's savings so that they can be used for the development of each one of them, first in his community, then in his town or region, and eventually for the whole province of Québec. Solidarity and responsibility are, no doubt, basic features of Desjardins' conception of development.

That whole approach has guided the *Mouvement des caisses Desjardins* over the years towards projects supporting economic development for the people of Québec. This involvement, however, respected the true values of co-operation: liberty, autonomy, self-help, responsibility, etc. and was staged in continued collaboration with the community. As a mat-

ter of fact, Desjardins did not get involved in a continued process of development, in order to implement its own solutions, or even to implement ready-made solutions. The Mouvement did not ask governments for help or encourage people to make claims in all regards. What the Mouvement did, rather was to get together with the community's actors and to help them take control of their affairs, to look for solutions with them and to support them in their concrete actions to ensure development.

### A Changing Society

I firmly believe that today, as our environment is deeply changing and the rules of the game are evolving at a fast pace, promoting responsibility and self-help among our fellow citizens is a natural attitude. As was said by French scientist Albert Jacquard, "We are creating a new planet". Drastic transformations have been impacting on the dynamics of nations and on the world's economies. The communications revolution is also generating a never-before-experienced circulation of goods, capital and people.

Meanwhile, at the social and political levels, empires are crashing down and some new countries or national identities not yet heard of, or kept in the dark for a long time, have come to the fore. Developments of equal importance and magnitude have also been occurring in the area of technology.

But this globalization of economies and markets definitely has negative impacts on an increasing number of individuals and territories. Efficiency, yield and performance figures have come to be the only yardsticks of development. Of course, you have to produce more and more and to improve on quality, while guaranteeing the best price for your consumer, which will ensure that you are able to compete in today's world economic context. But you must not forget that this model will generate a series of costs which many economists, still comfortable within their traditional theories and even trying to stretch these to the new-found planetary dimensions, tend to overlook: endemic unemployment, depopulated towns, youths migrating to larger centres, citizens grow-

ing dependent on state programs and the ensuing degradation of the economy and environmental alterations, etc.

Of course, the economy is an important parameter for it will enable people to exchange goods and services. But the economy is no more than a means: it is not an end in itself. Up to a certain point, the economy is like a form of cancer, through which it is no longer serving humans, but humans themselves are serving the economy. You end up feeling that you are no longer living in a society, but in an economy!

### Employment, A Key to Our Future

We all know that the significant structural changes now taking place and the really tough competition among the most industrialized countries are leaving more and more persons out of true opportunities. In Québec, for instance, unemploy-

*"Employment, we must remember, actually is the lifeblood enabling a region and its population to develop. If Québec, just like several other so-called developed countries, is confronted with declining birth rates, environmental pollution and youth alienation, the employment issue is, I believe, paramount to all these problems. For employment is basic to one's security and, by way of consequence, to the opportunity one will be given to settle down and start a family, to get involved in the community's social and economic life and, eventually, to be involved in development of society."*

ment figures are nearing 13%, representing some 450,000 individuals. In Canada, over 1,600,000 persons are unemployed, that is 11% of the country's labour force.

Yet, the high costs of unemployment have been much documented. For us in Québec the economic cost of unemploy-

ment, when measured as a loss of output or national income caused by the underutilization of human resources, amounts to a full 20 or 25% of its GDP. And the economic costs are only the tip of the iceberg since they do not reflect the social costs of unemployment conveyed in the form of increased demands for health and welfare services due to stress, illness, alcohol abuse, crime...

Here in Europe, the problem of high and prolonged unemployment is growing and has been an issue among your populations. The member countries of the European Economic Community (EEC) are currently reporting 10% unemployment up from 3 to 5% in the early seventies. This is fairly similar to our situation in Québec and Canada.

You cannot turn your back on such a trend and you must not accept it has a fact of modern life. This calls for alternatives, it calls for a new economic and social order, one offering a way up for a lot of individuals and regions, it calls for a new model of development, on making the most of the huge potential not yet tapped of local and regional economic activity. In a word, economies will only be prosperous if you build on local forces, be these human, financial, technical or natural, in order to create stable and durable jobs.

Employment, we must remember, actually is the lifeblood enabling a region and its population to develop. If Québec, just like several other so-called developed countries, is confronted with declining birth rates, environmental pollution and youth alienation, the employment issue is, I believe, paramount to all these problems. For employment is basic to one's security and, by way of consequence, to the opportunity one will be given to settle down and start a family, to get involved in the community's social and economic life and, eventually, to be involved in development of society. In as much as we are setting employment as a priority issue in economic development programs, we must by all means encourage the creation of enterprises.

But for these enterprises to be sources of stable and durable jobs, their creation

must not result from foreign initiatives or governmental decisions, but must result from the community's own desire and determination. That is what some specialists are now promoting when referring to 'indigenous development'. From within the co-operative world, what we can see in these instances is the principle of self-help and mutual aid being widely implemented.

Of course, the presence of natural, technological, financial and structural resources will play an important role but the community members, before every one else, with their ideas, their will and their ability to use these resources in conjunction as a genuine tool for development, for themselves, are those who can in the long term guarantee the strength of the local, regional and national economy.

To support these statements, I would now like to report on three achievements in which the Mouvement des caisses Desjardins was closely involved and inspired by the spirit and true values of co-operation: the Forum for Employment, the Qualité-Québec Project and the setting up of regional investment corporations.

### The Forum for Employment

The Forum for Employment is a wide collaboration table launched in 1989 in order to make every one aware of the importance of employment. It is bringing together representatives from all the major socio-economic partners of our society: employers' associations, unions, the co-operative movement, universities, municipal boards, youth associations, women's groups, cultural communities, etc. In that project, we choose not to include the upper levels of governments in order to make sure no one would turn the problem over to them and restate their traditional list of claims.

At our very first meeting, we did not really know how to address the issue. Our different views were exchanged by answering successively this simple question: "Do you feel responsible for the employment situation in our society?" Each one of us, cautiously staying behind walls of his own field of activity, declined such a responsibility, pointing a finger at some one else, especially those who have po-

litical power. Shortly after, a new question came to our minds and on the agenda: "But how could our elected representatives ever solve this tough employment problem, if we, the socio-economic partners, are not ourselves concerned enough with this issue to start acting?" We then

region's major employers.

Elsewhere, some 40 employers made a joint commitment to maintain existing jobs, to encourage the hiring of local manpower and to prevent further obstacles by welcoming innovative insertion projects. Finally, the people of another region re-



*DID with other International partners in Ho Chi Minh city—helping credit sector*

realized and agreed that employment was a shared responsibility.

This exercise in partnership, in empowerment and job promotion has been a true success. First because the program is still going on after close to four years and continues to bring together, within the national Forum and in regional Forums, the various socio-economic agents. Second, because beyond awareness and exchanges, the Forum has paved the way to revised attitudes and mentalities and has led to concrete actions and opened up on increasing numbers of local initiatives.

One regional concertation table, for instance, has produced a brochure entitled 'BÂTIS-TON-EMPLOI' or Design Your Own Job, intended for those seeking information on job training, job hunting, job creation and on-the-job training. This brochure gives information on private and public agencies in the region that may help people find jobs. Another example is an inventory of over 400 graduates of vocational training from the community and designed to help these youths to find a job. This publication included a photograph and a description of the qualifications of each graduate and was distributed to the

recently launched what they call a 'Resource Exchange' which, by being accessible to the world of education, will help its agents better inform the youths and adults on the realities of the work place. The same agency had previously initiated a project to encourage the community in supporting the development of the entrepreneurship abilities and potential of their unemployed.

In short, these few examples taken from a long list of experiences are proof of the desire of the Forum for Employment to identify promising solutions to the employment problem, with the input and support of all interested socio-economic partners.

As you can appreciate, our forum for Employment is based on the 'Think globally, act locally' approach. This, in my mind, represents the most dynamic and most practical approach because, by making the people of all communities feel responsible for their own development, you will allow every one there to make the most of their energy, of their creativity and dynamism and you will put all their talents at work. This is how you can help people become active tax payers and con-

sumers. For, in fact, when decisions are made and actions are directed from a remote centre, the majority will become passive claimants whose talents and energy will be literally turned off. I am truly convinced that regional and local development calls for the dynamic, active involvement and for the combined efforts of individuals in their own communities.

### Qualité-Québec

The men and women who are making Desjardins all see themselves as part of the solution. We positively believe that we can make a difference with our daily actions, with our choices as citizens and consumers. You cannot expect or even hope that your factories will keep running if you are always buying imported goods. If we want our enterprises to produce and to gain access to wider markets, would you say that we should, at the very least, allow them to hold a strong share of our markets? When quality is the same and prices are similar, why should we choose not to support our own enterprises?

With these concerns in mind, the Mouvement des caisses Desjardins, along with various socio-economic partners (manufacturers' associations, unions, farmers' associations, co-operatives, etc.) initiated the campaign labelled 'Qualité-Québec', an effort intended, from the very beginning, to get every one acting together, be them consumers, manufacturers, distributors, social bodies, the medias or governments, to create jobs and re-en-

*"Of course, the presence of natural, technological, financial and structural resources will play an important role but the community members, before every one else, with their ideas, their will and their ability to use these resources in conjunction as a genuine tool for development, for themselves, are those who can in the long term guarantee the strength of the local, regional and national economy."*

energize the economy of Québec.

Several surveys have showed that, over the course of one year, replacing \$10,000 worth per household of imported goods by products made in Québec would add upto to 100,000 more jobs. In other words, reallocating under \$20 of our weekly budget would take unemployment figures down by 2% and would push economic growth up 3%.

Of course, there will always be some one to argue that buy-at-home policies are self-centred gestures and are contrary to current trends towards world-wide trade. We can respond however that our frontiers may be opened to international market, without letting our whole economic space being invaded. I would even say that our opening does in fact call, more than ever before, for an ability to work closer among us and to strengthen our enterprises, as well as the various sectors of our economy, so that they may gain enough energy to act as efficiently as possible in the new competitive market place. We must remember that other nations involved in the globalization of trade have demonstrated that, namely Americans, Europeans, and the Japanese.

This economic gesture is a sound one, even more so since it is based on a voluntary, no-cost solidarity effort. In today's economic conditions, this initiative aiming at job creation is made more necessary by the fact that recovery has been weak and that governments and consumers are still much in debt, while enterprises are often denied any profit. Through Qualité-Québec all economic agents are encouraged not to spend more and get deeper in debt, or to pay no attention to the quality and the prices of goods, but rather to displace, in what they are already buying, imported goods by quality competitively-priced products from Québec, with the sole purpose of helping to maintain or create jobs.

This project, I might add, goes along with the globalization trend of markets and strong competition as it is emphasizing the high quality of our products and developing a new strategy focusing on our own areas of excellence: furniture, clothing, pharmaceutical goods, bio-technologies,

*"Several surveys have showed that, over the course of one year, replacing \$10,000 worth per household of imported goods by products made in Québec would add upto to 100,000 more jobs. In other words, reallocating under \$20 of our weekly budget would take unemployment figures down by 2% and would push economic growth up 3%."*

transportation, bio-food products. The Qualité-Québec campaign, definitely, is not a self-centred gesture but rather an information campaign stressing the quality of goods made in Québec. At the same time, it is respecting the free choice of consumers, much to the pleasure of economists.

### Regional Investment Corporations

Once gain guided by our desire to educate people so that they will take their responsibilities and also to act in solidarity with the people of Québec, but this time in an area of operations much more familiar to us, the area of finance, we have been much enthused and truly proud to become a leading partner in the creation of the network of regional investment corporations (the RICs).

This is highly important for Québec. At a time when governments will be less and less able to play an active role in economic development, thanks to the regional investment corporations set up all across Québec, in all regions of the province, there will be some one to listen to, to help and to encourage the dynamism of business people, to foster the local and regional entrepreneurship. In the savings and credit co-operative model drawn by our founder Alphonse Desjardins, Man has always come first. Regional investment corporations will, in some ways, represent the extension of that philosophy, since people from each community will be responsible for analysing and supporting their region's dynamism.

The result of concerted efforts with

three other Québec-based financial institutions, including one of our main competitors, RICs will grow, within two years, into a network of some twelve corporations operating with subscribed capital of some 90 million Canadian dollars. These corporations will make investments ranging from \$50,000 to 500,000 and, in addition to financial support, they will be actively involved in the strategic management of recipient enterprises.

The mandate of these corporations is clear: they must recruit intelligent, open-minded and aggressive entrepreneurs; they must identify those with good projects and who have showed firm management in their past endeavours. We will be there to help them turn their dreams and expectations into reality. The objectives are clear too: first, the blossoming of a second generation of entrepreneurs who will be investing in human resource management as much as in marketing, so as to improve the ability of Québec goods to compete; second, enabling regions to achieve better development without solely relying on large centers. Decentralizing powers will help individual regions to achieve that and to create the jobs, and also to achieve sustainable prosperity. By way of consequence, in the long term, our investment corporations will help prevent the erosion of regions, a drain extremely costly in all respects. So, the RICs should ensure improved complementarity between a strong metropolis and dynamic regions.

### Local Development Initiatives

Finally, beyond these three national experiences in solidarity and concerted action, I would like to mention the involvement of our local caisses who have been constantly and continuously supporting high numbers of economic development and job creation projects.

These local experiences, often securing the financial support needed by the industrial development groups or permitting the acquisition of community facilities, are not innovative actions as such or large enough to catch the eye of national medias. These are no mega-projects but we can see our regions that, at a time when populations are diminishing and, conse-

quently, the social fabric is altered, numerous smaller achievements are making people proud of themselves and their communities. A first achievement will often trigger a second one or simply the extension of the initial project and so on, all leading up to a process of continued local and regional initiatives.

This is what we, in Desjardins, are calling the small steps technique, under which what matters is not the length of the step but the fact that you are taking a first step, then another one, and so on. As you know, in a small community, creating 10, 15, 25, 50 or 100 jobs may be enough to keep the whole town alive.

### Conclusion

The Forum for Employment, Qualité-

Québec and the Regional investment corporations definitely represent successful innovative experiences for economic development and job creation. And their success is not due as much to the contents of projects as to the actors themselves and to the efforts made, first by the people of the community who are contributing their creativity, their dedication and their resources in order to build a real lever for development, for themselves and their fellow citizens. In the process, they are strengthening the economy and helping create jobs.

In a word, these experiences are demonstrations of the sound and enlightening idea shared by our founder Alphonse Desjardins to the effect that 'the union for life offers more than the struggle for life'.

## Book Release

The first National Labour Co-operative Congress organised by the National Federation of Labour Co-operatives (NFLC), was held at New Delhi on 4-5 December, 1996. Its inaugural function was presided over by Shri B.S. Vishwanathan, President of the National Co-operative Union of India (NCUI). Hon'ble Union Minister of Agriculture, Shri Chaturanan Misra inaugurated the Congress and addressed the audience from different parts of the country.

He also found time to release an ICA-DOMUS book on 'Human Resource Development in Co-operatives, with Focus on Education and Training in Asia-Pacific Region' written by Dr. Dharm Vir, former Joint Director (Education), ICA ROAP, New Delhi.



The book being released by Shri Chaturanan Misra, Union Minister of Agriculture. To his right is the author and behind are Dr. Sisodia and Shri Kushalkar.

Later, Mr. Werner K. Blenk, Director, International Labour Organisation, New Delhi office released the Souvenir brought out by the NFLC, New Delhi.

Earlier, Shri R.L. Kushalkar, Chairman of NFLC, the apex organisation of Labour Co-operatives in India, welcomed the guests and the delegates, including the author of the book mentioned above. The concluding session of the Congress was addressed by Shri Sahib Singh, Chief Minister of Delhi.



# Universal Declaration of Human Rights

## Preamble

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world.

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people.

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law.

these rights and freedom is of the greatest importance for the full realization of this pledge.

Now, Therefore, the General Assembly proclaims

This Universal Declaration of Human Rights as a common standards of achievement for all peoples and all nations to the end that every individual and every organ of society. Keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedom and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member states themselves and among the peoples of territories under their jurisdiction.

longs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

## Article 3

Every one has the right to life, liberty and security of person.

## Article 4

No one shall be held in slavery or servitude, slavery and the slave trade shall be prohibited in all their forms.

## Article 5

No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

## Article 6

Every one has the right to recognition everywhere as a person before the law.

*"On 10 December, 1948, the General Assembly of the United Nations adopted and proclaimed the Universal Declaration of Human Rights, the full text of which appears in the following pages. Following this historic act, the assembly called upon all Member-countries to publicize the text of the declaration and to cause to be disseminated, displayed, read and expounded principally in schools and other educational institutions, without distinction based on the political status of countries or territories."*

*-Boutros Boutros-Ghali  
Secretary General*

Whereas it is essential to promote the development of friendly relations between nations.

Whereas the peoples of the United Nations have in the charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom.

Whereas Member States have pledged themselves to achieve, in co-operation with the United Nations, the promotion of universal respect for the observance of human rights and fundamental freedoms.

Whereas a common understanding of

## Article 1

All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

## Article 2

Every one is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person be-

## Article 7

All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

## Article 8

Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

## Article 9

No one shall be subjected to arbitrary arrest, detention or exile.

**Article 10**

Every one is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

**Article 11**

- i) Every one charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.
- ii) No one shall be held guilty of any penal offence on account of any act or omis-

or correspondence, nor to attacks upon his honour and reputation. Every one has the right to the protection of the law against such interference or attacks.

**Article 13**

- i) Every one has the right to freedom of movement and residence within the borders of each State.
- ii) Every one has the right to leave any country, including his own, and to return to his country.

**Article 14**

- i) Every has the right to seek and to

- ii) No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

**Article 16**

- i) Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.
- ii) Marriage shall be entered into only with the free and full consent of the intending spouses.

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## *Co-operatives and Human Rights*

**C**o-operative enterprises constitute a micro-societal environment in which members are able to enjoy their full human rights: they are defined by the ICA itself as associations of persons united voluntarily to meet their common economic and social needs through a jointly-owned and democratically-controlled enterprise. Co-operatives are based on the values of self-help, mutual responsibility, equality and equity. Within their capacity to admit members, co-operatives are open on a voluntary basis, without political, religious, gender or social discrimination, to all who can contribute to, and benefit from, their activities. In primary co-operatives members enjoy equal voting rights on a one member, one vote basis.

Many co-operative business enterprises, concerned with the communities in which they operate and in which their members live, take an interest in the quality of society and in the enjoyment of human rights by all in those communities. Certain co-operative enterprises, notably co-operative banks and savings and credit co-operatives, have adopted 'ethical stances' and business guidelines which stress non-association with individuals or businesses engaged even indirectly in the suppression of human rights. Housing co-operatives and community develop-

ment co-operatives in particular actively encourage the enjoyment of the human rights of members and others in the communities in which they exist. Locally, nationally and internationally, often in collaboration with other citizen's organizations, co-operative movements seek to promote and protect human rights and show solidarity for those whose rights are limited or suppressed.

By these direct means, and also by means of empowering the economically disadvantaged, the international co-operative movement contributes significantly to the implementation of the Vienna Declaration and Programme of Action agreed upon by the World Conference on Human Rights held at Vienna in June, 1993 (Report, A/CONF.157/24). The General Assembly, in its resolution 49/208 endorsed the view of the Secretary-General in his report on the matter (A/49/668, para. 134) that implementation of these instruments required concerted efforts on the part of all relevant actors, including non-governmental organizations.

*-From the Notes for Organisers of the  
First UN-International Day for Co-operatives-1995.*

sion which did not constitute a penal offence under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

**Article 12**

No one shall be subjected to arbitrary interference with his privacy, family, home

enjoy in other countries asylum from persecution.

- ii) This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes from acts contrary to the purposes and principles of the United Nations.

**Article 15**

- i) Every one has right to a nationality.

- iii) The family is the natural and fundamental group unit of society and is entitled to protection by society and State.

**Article 17**

- i) Every one has the right to own property alone as well as in association with others.
- ii) No one shall be arbitrarily deprived of his property.

**Article 18**

Every one has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

**Article 19**

Every one has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

**Article 20**

- i) Every one has the right to freedom of peaceful assembly and association.
- ii) No one may be compelled to belong to an association.

**Article 21**

- i) Every one has the right to take part in the government of his country, directly or through freely chosen representatives,
- ii) Every one has the right of equal access to public service in his country,
- iii) The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

**Article 22**

Every one, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation, and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

**Article 23**

- i) Every one has the right to work, to

free choice of employment, to just and favourable conditions of work and to protection against unemployment.

- ii) Every one without any discrimination has the right to equal pay for equal work.
- iii) Every one who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- iv) Every one has the right to form and to join trade unions for the protection of his interests.

**Article 24**

Every one has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

**Article 25**

- i) Every one has the right to standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- ii) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

**Article 26**

- i) Every one has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
- ii) Education shall be directed to the full development of human personality and to the strengthening of respect for human rights and fundamental freedom. It shall promote understanding, tolerance and

friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

- iii) Parents have a prior right to choose the kind of education that shall be given to their children.

**Article 27**

- i) Every one has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.
- ii) Every one has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

**Article 28**

Every one is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

**Article 29**

- i) Every one has duties to the community in which alone the free and full development of his personality is possible.
- ii) In the exercise of his rights and freedoms, every one shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.
- iii) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

**Article 30**

Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

*(National Herald, New Delhi,  
December 14, 1995)*

# Rebuilding a Co-op - CO-OP KOBE

## Great Earthquake and Co-operative Value

'Great Hanshin Awaji Earthquake' on January 17th, 1995 has caused an unprecedented calamity which killed more than 6,400 citizens, injured 40,000 and damaged more than 390,000 houses. A greater number of members and staff of Co-op Kobe suffered from the disaster and its head office was completely destroyed by fire after its breakdown. The earthquake has still forced many evacuees to stay at temporary houses.

After the earthquake, Co-op Kobe promptly resumed their operations at the survived and temporary facilities and started to support the inhabitants in the damaged area by offering emergency supplies through the local government, which brought such a public evaluation as 'In the quake-kit area exist co-operatives'. In the local community where the life infrastructure was reduced to rubble, most of the people realized a necessity of mutual help and co-operation among them. In the damaged areas, co-op societies have organized various activities; co-op store operation rooted in the community, joint buying operation through Han groups, delivery of emergency supplies and co-operative insurance officers' visit, etc. The co-operative organization and business operations based on humanity have demonstrated an effective co-operative value which promoted self-help and co-operation among inhabitants in a local community.

Co-op societies in the whole country quickly started their support activities to Kobe. According to JCCU's report, contributions to Co-op Kobe and medical co-ops in the devastated areas from other co-operatives and their members amounted to more than 14,000 man-days and 2,150 million Japanese Yen. Payment by JCCU's life and fire insurance has exceeded 2,000

million Yen, while National Federation of Workers and Consumers' Insurance Co-operatives has paid 16,700 million Yen. Recognizing the importance of voluntary activities, Co-op Kobe has helped to organize voluntary groups for reconstruction of the area. More than 3,700 members have been registered as volunteers for the various support activities.

Support activities organized by co-op societies throughout the country showed an importance and a value of national co-operative solidarity. In return, ties between the members and co-ops in a severe situation, and their efforts for their own reconstruction and co-operation encouraged the supporters to recognize the co-operative values.

Besides, the importance of risk management in co-operatives has been seriously recognized by such an experience and

## Sales Stagnation and Deteriorating Financial Situation

According to the JCCU's Co-operative Statistic Review of 40 co-ops (except for Co-op Kobe), cumulative sales from April to November of 1995 increased by 1.6% compared with the previous year. However, a whole year results seem to be worse, since the sales in the latter half year have not reached the last year's level.

The joint buying sales decreased by 0.1% compared with the previous year. The weekly average number of members who purchased at joint buying decreased by 1.2%, monthly average sales per person by 1.0%, although the number of registered members increased by 2.1%.

The store sales increased by 3.2% compared with the previous year and whole floor space by 7.0%. Fresh food sales ex-



Co-op Kobe Main Building before the Earthquake

many co-ops have learned some lessons for an establishment of risk management, including a conclusion of emergency support supplies agreement between co-op societies and local governments.

ceeded the total growth rate. The sales of stores with less than 1,000 sq.m. decreased, on the other hand that of supermarkets, etc. with more than 1,000 sq.m. dramatically increased.

According to the Profit & Loss statement in November of 1995, the net profit declined by 25% to 0.34%. A personnel expense for joint buying rose by 4.7% and for stores by 5.2% from the previous year, thus considerably exceeding the growth of sales and earnings.

### Participatory Member Activities

The total membership exceeded 18 million at the end of March, 1995. In October it has increased by 5.3% from the previous year. The share capital have continued to rise by 8.3%.

Many co-ops have promoted the members' activities centred on commodities, for instance, monitoring of co-op brand goods by 5,000 members to make use of the members' voice for product development and 'dietary habits campaign', etc. They are taking a step for an innovation where members' participation and views are reflected on their products and operations.

While making efforts to improve and enlarge Han group activities, many co-ops are trying to spread the members' activities based on their initiatives and creativity as such as "joyful activities any one can participate in or 'members' voluntary group activities". So called, 'theme activities' were organized by the members dealing with their own interests beyond Han groups or communities.

There is an example of a co-op which registered about 13,000 themes 50% up from the previous year where more than 76,000 members took part in the activities. It shows that members positively participate in an arena, where members' initiatives and interests can be met. In addition, it is necessary to take a process to obtain members' participation to and consensus on policy making, between co-operatives and members.

### Development of Social Activities

In a revision of the Food Sanitation Law in a context of international harmonization of food safety and hygiene standards based on WTO agreements, co-ops have developed administration for food safety on a standpoint of consumers. Members' study meetings were held by co-ops in 34

prefectures, while JCCU organized a national symposium for food safety and published some pamphlets concerning these matters. Furthermore, JCCU has promoted the ICA to take part in CODEX Aorientarius Commission as an observer and sent specialists at the concerned meetings.

As a result of our long standing campaign, the Product Liability Act has been enforced in July. JCCU and consumer organizations have established 'Citizens network for an enactment of the Freedom of Information Act' to secure PL Act to protect consumer's rights.

In 1994, 4 co-operative societies introduced an environment management and audit system. To promote recycling campaign, many co-ops have collected milk cartons, plastic trays, bottles and cans, PET bottles, batteries, etc., at co-op stores or joint buying depots as collecting points. In most co-op stores, members are requested to bring their own bags instead of receiving plastic bags. According to a research into 69 co-op societies by JCCU, the amount of milk cartons collected has reached 6,550 tonnes, representing 35% of the total amount in Japan. Many co-operatives have held seminars on the Containers and Pack Recycling Act, inviting local government officers to take part in a planning process of garbage management.

As for social welfare activities, 40 co-op societies have organized members' mutual help for housework support by the end of March, 1995. 18,000 members were registered as supporters and 950,000 hours were put in the welfare services. 30 co-op societies have held 'Luncheon Meeting' and 130 groups have volunteered lunch delivery service for aged people. 7 co-op societies have established 'welfare information center' to give information on public and private welfare services or volunteer activities. JCCU have prepared to develop a nursing equipment business through catalogues nationwide.



Co-op Kobe Temporarily housed at Living Culture Centre

In 1995, a turning point of 50th year after the end of World War II, 3,200 members joined events in Hiroshima and Nagasaki while 60,000 members joined peace march against nuclear arsenals in August. In the ICA Congress in Manchester, 'Peace Resolution' proposed by Mr. Takemoto, President of JCCU, sent a delegation to International Court of Justice in Hague to hand in a sheaf of 3 million signatures for 'Statement of Public Conscience' asserting illegality of nuclear weapons and demanded the French Government to quit nuclear tests.

JCCU also organized Peace Trips to Asia considering a Japan's responsibility for war crime.

### Improvement of Regional and National Solidarity

Tohoku Sun Net consisted of three citizens co-ops in the north-east region was authorized as the 9th regional federation in Japan. Furthermore, Co-op Kobe started K-Net with other regional co-ops in the western part of Japan. Their aggregate retail sales exceeded 700 billion yen.

These regional federations and K-Net represent a large proportion of total membership (65%) and total turnover (67%), creating the solid foundation for further consolidation of the Japanese movement.

COMO Japan, Co-operative store Modernizing Organization, collaborated with JCCU to develop 18 items as the low price co-op brand goods in 1995. Sales of each item reached approximately 500 million yearly.

-JCCU

## Co-operatives and Environment: An International Perspective

By Saxena, S.K., Pragati Publications, Delhi, 1995, pp.95, price Rs.295/-

It is rare that one comes across such a useful and concise book, containing up-to-date information on environmental matters from five countries, spread over in three continents. The book describes the role of co-operative movements in several sectors in Canada, India, Japan, Sri Lanka and Sweden. The movements' experiences in environmental work is analysed concisely and, in the concluding chapter, the author works out a strategy for co-operatives worldwide for its implementation in a consistent manner. At the end, an index, both author-wise and subject-wise, is given for the convenience of the readers and users.

The book begins by defining the goals of the co-operative and environmental movements. The Dictionary of Scientific Literacy, edited by Brennan defines environment thus: "Everything that makes up our surroundings". In the physical world, the term means the global or local conditions affecting our health and well-being. Environmental abuse is the subject of much concern to governments, the people and their socio-economic development organisations like co-operatives. The book briefly describes the main features of co-operatives and the environmental work. Both the movements have similar features, dealing with multi-disciplinary nature of subjects. Environment like co-operation, has numerous facets and is almost co-extensive with the frontiers of several social and physical sciences. The two are required to have a long-term perspective and are directly concerned with educational approaches, participative methods and strategies for sustainable development. The World Commission on Environment and Development has helped in establishing the concept of 'sustainable development' which, according to the Commission means that humanity 'meets the needs of the present without compromising the ability of future generations to meet their own needs'. In its more than 150 years history, the Co-operative Movement has evolved in many directions. It,

therefore, intersects the field of environment at several points. The co-operative intervention in environmental work is well described through case studies from the developed as well as developing countries.

The focus of the book is on the attitude taken, and the work done by selected co-operative movements. Their role is discussed and illustrated by citing from the following examples:

- i. The Sasakachewan Wheat Pool (Canada)
- ii. The Co-operative Atlantic (Canada)
- iii. Kooperativa Forbundet -KF (Sweden)
- iv. The Japanese Consumers Co-operative Movement (Japan)
- v. The National Tree Growers' Federation -NTGF (India)
- vi. The Indian Farmers' Fertiliser Co-operative -IFFCO (India)
- vii. The National Co-operative Council - NC (Sri Lanka)

The above mentioned case studies are, three from the two advanced co-operative movements of the West, and three are from two developing movements of East. In between, Japan has emerged as an Archipelago of Pollution and effective environmental work through co-operatives. The contents of these national level studies focus on special sectors like the consumer, agricultural, savings and credit, fisheries, etc., in which the co-operative movements have done considerable amount of work.

At the international level, a Conference organised by the ICA in Rome in 1993, brought together various sectors of the co-operative movement. Representatives of different sectors defined the specific contribution they could make towards environmental protection. At the conference, the agricultural sector defined its role as one of promoting sustainable agricultural development and ensuring food security. The representatives from consumer co-operatives advocated a policy of three R's - reduce, refuse, recycle - in order to achieve sustainable consumption patterns. For ensuring better understanding, consumer co-operatives will have to encour-

age more sustainable consumption patterns by educating individuals and households to take purchasing decisions which are eco-friendly. The representatives of the fishery sector defined their role as one of promoting sustainable use of marine and fresh-water living resources and in establishing sustainable aqua-culture development strategies. Other sectors also defined their respective roles for contributing to environmental preservation and improvement.

The representatives of all sectors represented at the conference emphasized the need for dissemination of information and knowledge on sound eco-systems. In this respect, broad public participation was considered essential. The message of environmental protection must fall on receptive ears. Co-operative members and the people at large need to have access to information which is in the possession of public authorities, research institutes and economic enterprises. While the co-operative movement can establish these contacts by virtue of its business activities and relations with a variety of institutions, the Government will need to ensure that a network of the parties involved and interested in environmental affairs exists in the country. In addition, the co-operative movement worldwide will have to have closer contacts with the international organisations like the UN bodies, International Organisation of Agricultural Producers, the International Organization of Consumer Unions, European Union and the Codex Alimentarius. It may be noted that the co-operative movements, in almost all countries, have extensive educational arrangements and these could provide a ready facility for dissemination of information, provided environmental issues are included in the curricula and the sector-wise potential contribution is emphasized and explained.

At the end, while making an overall assessment, the author concludes: "The selective cases discussed in this book from Canada, Sweden, Japan, India and Sri Lanka should not be seen to imply that co-operative movements in general are

brimming with concern over the deterioration of environment. The cases discussed are, rather, in the nature of exceptions...." In spite of the efforts made by the ICA Regional Offices and several of its member organisations, the saving of environment is not yet seen as a subject of constant attention in which the Movement have a significant role to play. The author, therefore, suggests a strategy for co-operatives, which can be outlined as:

1. Raising awareness and identifying the decision-makers,
2. Emphasizing elements common to the co-operative ideology and the environmental movement,
3. Contacts with government agencies and technical institutions,

4. Strengthening relations with other NGOs and effective lobbying,
5. Education and staffing, and
6. An International Co-operative Group on environment under the auspices of the International Co-operative Alliance.

The information on the environmental work being done by selected co-operative organisations, though given in concise form, makes an interesting and purposeful reading. It makes readers realise the extent and importance of environmental work being done by the NGOs like co-operatives, in spite of their limited means. The co-operative readers are thus inspired to be seriously interested in environmental issues and contribute their bit to make

their co-operatives eco-friendly, and saviours of the community resources. They are spontaneously led to study the co-operative strategy given in the book. It is hoped that many of them would get motivated to take eco-friendly steps individually, group-wise or organisationally. Thus the book is highly recommended for wider reading by the co-operators and other thinking people. It is a very useful and timely publication authored by a senior and highly experienced researcher in co-operation. Possibly, the book can also be adapted for use as study guide for educational work by the co-operative education and training institutions and universities worldwide.

New Delhi

**Dharm Vir**  
HRD Consultant

## The World of Co-operative Enterprises - 1996

*Wendy Hurr, Kate Targett, Anne Fielding and David Thirkell, Plunkett Foundation, UK, 1995, pp.212, price Rs.966/-*

Co-operative enterprises service their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures. Draft documents for the recently adopted Statement on Co-operative Identity by the International Co-operative Alliance (ICA), gave 'co-operation between co-operatives' greater prominence than any other principle. In this context, two factors motivate co-operation among co-operatives: the need for effective representation before public bodies and a desire to achieve economies of scale, improve management, extend development support, or attain similar shared objectives.

The book has been organized into four parts. In the first part, the papers by Brazda, Schediwy and by Taylor stimulate thought about the circumstances under which federations can, or should, be organized hierarchically. Taylor uses the Mondragon experience to show how the answer to this question can be influenced by whether the federation is primarily a business alliance or an expression of so-

cial solidarity, and by whether its basis is geographical or sectoral. Lynden Hiller builds a bridge to the 'New Ways of Financing' when he says that co-operatives should seriously consider "working with organizations which either have capital or can provide access to capital markets". Lynden Hiller's contribution gives an idea of how co-operation between co-operatives could be applied to the maximum, when he writes: "For many of the organizations surveyed, one important factor contributing to the success of a strategic alliance has been the clear and early identification of its criteria for success.

Saxena elucidates that there are at least three countries in which the national apex body linking all sectors in a joint committee that provides a contact point for the movement and meets as and when necessary. Japan, France and Britain are all demonstrating that cost-effective work can be done at this level, with minimal expenditure on staff and premises. In the section reviewing co-operation in the UK, the British experience is described in an article on the recent activities of the U.K. Co-op Council. By contrast, Brazda and Schediwy uses examples from many parts of Europe to explore the hypothesis that federals tend to be 'stronger' if they are

bigger and richer than their constituent parts.

In the second part, the paper by Masao Ohya notes that with one health-care co-operative dating from as early as 1919, Japan has long been a leader in collaborative care and currently has 118 medical-health consumer co-operatives serving some 1.8 million members. The article by Unimed's founder, Dr. Edmundo Castilho, outlines the social and political conditions that inspired this successful collaborative effort. Eva Ternegren and Ove Jobring argue persuasively for the rate of increased user involvement and flexible structural conditions in evolving relevant systems. Giovanna Rossi assesses the changing relationship between the state and the social co-operatives and suggests both caveats and courses for the future. In the U.K., Roger Spear highlights the problems of uneven care delivery that can result from locally determined provision and the problems attendant on the 'marketisation' of care. David Thompson tells the social and economic success status of Co-operative Home Care Associates, in which co-operative principles have been applied to good advantage in demanding provision of home care in the US.

*Continued on page 31 )*

# The International Institute (Histadrut) Israel

The International Institute (Histadrut) Israel has announced following courses for 1997. Several scholarships covering local costs in Israel are available for selected candidates.

Interested co-operative organisations may apply directly to:

Director  
International Institute-Histadrut  
Bet Berl, Kfar Saba 44905, Israel  
Tel.(972)9-7487382  
Fax.(972)9-7421868

## 1. *Women's Empowerment Through Co-operatives - 13.5. to 25.6.1997*

*Programme of the Course:* Development and under-development; the role of women in development; the status of women and the nature of empowerment; co-operative principles and practices; co-operative organisation, management and finance; micro-enterprises - planning, organisation, management and finance; entrepreneurship - feasibility studies, managerial skills, innovation, communication and decision making.

*Requirements for Admission:* Designed for leaders of co-operatives and community organisations concerned with the development of self-help economic initiatives by women.

## 2. *Non-Formal Education and Youth Leadership 1-31.07.1997*

*Programme of the Course:* Principles and practices of non-formal education; community intervention strategies; social-psychology of adolescence; the integration of marginalized youth; curriculum development; vocational training; community services; recreation, youth movements; leadership skills - communication, planning, management, decision-making.

*Requirements for Admission:* Designed for young leader, activists and officials in non-governmental and governmental organisations concerned with developing non-formal education programmes aimed at enhancing the skills and capabilities of young people.

## 3. *Banking and Credit Institutions for Civil Society 1-25.9.97*

*Programme of the Course:* Development and under-development; the role of banking institutions in the process of development; banking, savings and credit institutions; peoples' banks and civil society; savings and credit co-operatives - organisation, management, finance; rural and urban credit facilities for production and income-generation; credit for the informal sector.

*Requirements for Admission:* Designed for leading officials of banking and credit institutions actively engaged in the support of non-governmental organisations and income-generating activities in rural and urban areas, and for leaders of non-governmental organizations seeking to develop credit and banking facilities for their members.

**Admission:** Admission requirements vary from course to course, but all include the following:

Candidates must be sponsored by an appropriate trade union, co-operative, development agency, government department, educational institution, etc. He/she must have at least three and preferably five years of leadership experience in the sponsoring (or an equivalent) organisation or institution, etc. A sound knowledge of the language of instruction is requisite. Ad-

ditional educational or other requirements are set when relevant to specific course programmes.

Admission forms, etc., as well as further information on the Institute and its courses may be obtained by writing to the Institute or through the good offices of the Israeli diplomatic representative in the applicant's country.

### Registration

Candidates for courses must complete the appropriate application forms (including health certificate, declaration, etc) in their entirety and submit them no later than six weeks prior to the course. Candidates are expected to submit application forms to the nearest Embassy of Israel and forward a copy to the Institute. In view of the large number of applicants, early submissions are recommended.

### Scholarships

Several scholarships are available for each course. A scholarship covers the following items:

Tuition costs, lectures, group studies, individual tutoring, field visits and excursions, written study material and the use of library, board and lodging and a nominal out-of-pocket expense. Airfare for the travel to and from Israel have to be borne by the candidates or their organisations.

## Loughborough Co-operative College, U.K.

Loughborough Co-operative College has announced the following international programmes for 1997:

### 1. **Management for Women in Co-operative and Community Business**

\* *Dates:* 15 April to 27 June, 1997

\* *Client group:*

Women who promote viable and

democratically controlled Business for Women with small incomes. Suitable for policy makers and field workers.

\* *Contents:*

Management and Environment; Leadership Patterns; Organization of Training Programmes; Credit Management; Co-operative Production; Community Development.



**2. How to Make Field Education Effective**

- \* *Medium:* English
- \* *Dates:* 15 April to 28 June, 1997
- \* *Client Group:* Training Managers
- \* *Contents:*  
Curriculum Design, management of Field Education; Using Mass Media; Environmental Studies, combined with practical work.

**3. Workshop for Policy makers**

- \* *Dates:* May, 1997
- \* *Client Group:*  
Senior officials with responsibility

for Policy and Decision making in the Co-operative Sector.

- \* *Content:*  
Information and Decision making, leadership skills, public sector policy formulation; environmental studies, combined with practical work.

- \* *Medium:* English.

**Financing:**

Courses will be conducted on a fee-levying basis. However, funding can be applied from the officers of European Union, ODA, British High Commission; The British Council, Commonwealth Secretariat, ILO, FAO, World Bank, ADB, ASEAN,

USAID, CIDA, SIDA, NORAD, GTZ, FINIDA, DANIDA and SDC.

**For further inquiries write to:**

Co-operative Education Development Officer  
International Programmes  
The Co-operative College  
Stanford Hall  
Loughborough  
Leicestershire LE12 5QR, UK

Phone: +44(0)1509852333  
Fax: +44(0)15098565000



*Continued from page 29)*

**The World of Co-operative Enterprises - 1996**

In the third part, the article by Edgar Parnell, 'Some Approaches to the Financing of Co-operatives' highlights, those involved in arranging the finances of co-operatives cannot be allowed to overlook the fundamentals which distinguish a co-operative from an investor company. At the same time, as Ian Langdon points out in his article 'Contemplating Capital Flexibility Within a Co-operative Structure', many co-operatives need to gain access to substantial amounts of capital with much greater levels of flexibility than has hitherto been the norm within co-operatives.

The other articles in this section outline the correct issues for agricultural co-operatives in Denmark and those for workers' co-operatives in the United Kingdom, both confirm the currency of the topic of finance - a topic that the World of Co-operative Enterprise shall undoubtedly need to revisit yet again in future editions.

Part four deals with the review of the status of co-operative enterprises in its various sectors in the United Kingdom. It is appropriate that in the edition compiled

during the ICA Centennial year, Lord Carter should strike such a positive note in relation to the United Kingdom Co-operative Council. He pays tribute to the willingness of diverse member organizations to collaborate, and there is an internationally relevant lesson there. The individual sectors deliver mixed messages.

The credit union have a very positive outlook and currently enjoy unprecedented growth. Workers' co-operatives demand, and demonstrate a capacity for innovation and flexibility. The co-operative retailers are conscious of the challenges which confront them, reappraising pre-conceptions about their role, markets and operations.

The condition of the co-operative housing sector reflects equivalent impact in relation to state support. In addition to an overview of significant developments, the agricultural sector considers whether there is an economic cycle of formation, evolution, maturity and even obsolescence for co-operative enterprises which needs controlling in order to better protect the interests of members.

The book aims to contribute effectively to the successful economic and social development of co-operative enterprises. It promotes the co-operative ideas and values, generating an exchange of views and experiences on policy and practice, between those involved or interested in the advancement of co-operatives with their many forms. It aims to inform, to question, and to stimulate innovative thinking, leading to practical progress.

Co-operative pioneers, advisors and academics, through discursive articles specially commissioned to relate to selected themes, take up issues of current and future concern to worldwide co-operatives with their common interests and problems.

**Dr. A. Rajagopala Rao**  
MA, MBA, Ph.D.

*(Dr. Rajagopala Rao is a Faculty Member at the Regional Institute of Co-operative Management, Bangalore, India)*

## Some of the Recent ICA ROAP Publications

1. Management of Consumer Co-operatives for South & South East Asia - A Workshop Report 1995  
ICA/ROAP, February 1997, 227 pp  
Price: Indian Rs.300-00/ US \$ 30-00  
ISBN: 92-9054-036-2
2. Report of the ICA ROAP Sub-regional Workshops on Gender Integration in Co-operatives  
ICA/ROAP, August 1996;  
Price: Indian Rs.200-00 / US \$ 20-00  
ISBN: 92-9054-037-0
3. Report of the Regional Seminar on Housing Cooperatives, Kuala Lumpur, Malaysia - March 25-29, 1996  
ICA/ROAP, September, 1996, 213 pp  
Price: Indian Rs.300-00 / US \$ 30-00  
ISBN : 92-9054-038-9
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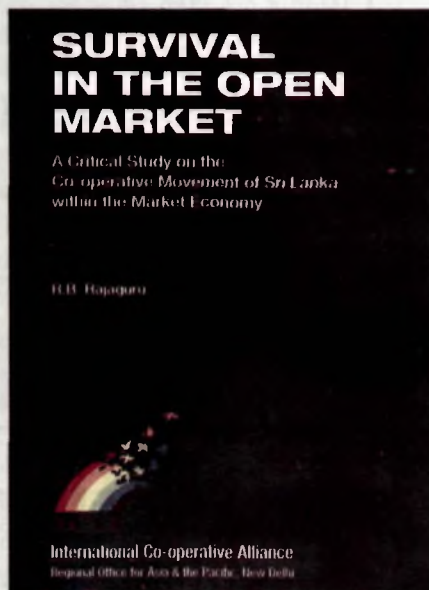
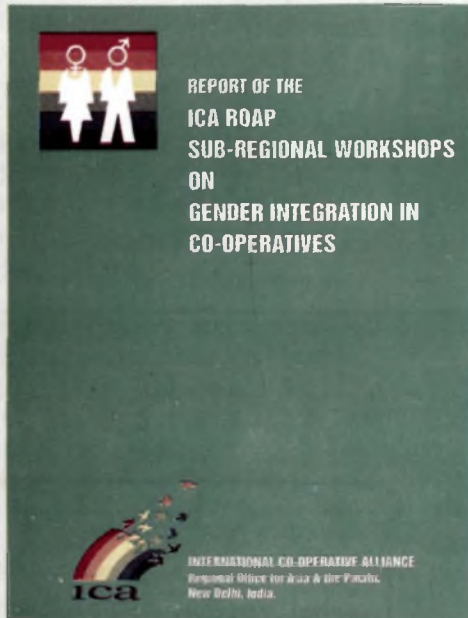
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# COOP DIALOGUE

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*The Individual and  
Cooperative Values . . .*



# GOOP DIALOGUE

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## Co-operative Values

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Today, the concepts of co-operative principles and co-operative values are of major interest, i.e., as the International Co-operative Alliance is about to revise its set of co-operative principles. The main reason for the present discussion on co-operative principles and the values upon which they are based is, however, that co-op businesses today are in need of modernisation. Competition is becoming harder; co-operative organisations must adapt themselves to the turbulence of the market; demands on business efficiency are becoming increasingly severe.

Business principles state how relationships between the co-operative enterprise and the members should be designed, i.e., they express which types of transaction costs the enterprise should reduce for the members. Society principles deal with how the relationships between members should be designed and they have the task of reducing transaction costs for members in their interactions.

On a more concrete level, four co-operative principles can be distinguished, of which the first three are society principles and the last is a business principle. Apart from these, each individual co-operative can formulate

with the co-operative enterprise (purchases from, sales to), shall receive the benefits of its operations.

## 1. Co-operative Values

### 1.1 The concept of co-operation

A suitable starting point of an analysis of the basic concepts of co-operation is understanding of the co-operation concept. The literature is full of definitions of co-operation. These diverge from each other in many respects, at the same time as there are agreements. Many of the differences can probably be explained by the author in question having had a special

# The Nature of Co-operative Values and Principles - Transaction Cost Theoretical Explanations

The concepts co-operative principles and co-operative values can be understood in the context of economic theory as mechanisms to reduce the transaction costs of the members. Co-operative values are characteristics inherent among the members. They consist of a set of values and norms that reduce the uncertainty of members (1) in relation to each other and (2) in the relationship of members to an uncontrollable business environment. Thus, two main categories of values can be distinguished; (1) sociality values and (2) sovereignty values. In each of these groups a number of specific values can be specified.

The co-operative principles are characteristics of the co-operative organisation and aim at reducing the transaction costs of the members in their relationships with the co-operative organisation. Thus we find two main types of principles namely business principles and society principles.

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## Jerker Nilsson

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principles that are adapted to the special circumstances prevailing in the specific situation, but only the four principles listed below have general validity for all co-operative activities.

- The principle of membership: The co-operative firm has been established for, and is working for, the benefit of the members - thus the members shall themselves decide the composition of the membership.
- The principle of member financing: It is the members who own the co-operative firm (contribute with equity capital).
- The principle of member control: It is the members who shall govern the co-operative firm.
- The principle of member trade: It is the members who, by trading

kind of co-operation in mind when he elaborated his specifications, or co-operation within a special industry or country. If these circumstances are removed, three factors remain that can be found in practically all definitions:

First, the user-owner principle, Persons who own and finance the co-operative are those that use it. Second, the user-control principle. Control of the co-operative is by those who use the co-operative. Third, the user on the basis of their use. The user-benefits principle is often stated as business-at-cost. (Barton 1989, p 1)

These three principles show good agreement with Staatz: ... a farmer co-operative firm is defined as a business with the following characteristics:

- The stockholders, who are farmers, are the major users of the firm's services.
- The benefits a stockholder receives from committing capital to

a co-operative are tied largely to patronage . . .

The formal governance of the business by the stockholders is structured "democratically" . . . (Staatz 1987a, pp 34-35)

All organisations that fulfil these criteria are co-operative and organisations that do not correspond to all three criteria are not co-operative. The three criteria are thus both necessary and sufficient to establish the co-op. concept. To the extent that other elements are introduced into a definition, this may concern a special case of co-operative business, or may even be a specification that is not essential but which is already implicit in the three basic elements.

Thus, a co-operative organisation has a number of owners, who both patronize the business operations and control the business in accordance with their interests as patrons. Members are simultaneously patrons (buying/selling), owners (financing), controllers (steering and leading the business) and beneficiaries (receiving surplus). From this we cannot directly identify any particular co-operative ideology, co-operative values, or co-operative principles. Nonetheless, it is possible to deduce from the co-operation concept what is meant by co-operative values and principles.

The principal of a co-operative enterprise consists of a group of individuals, either directly (primary society) or indirectly (secondary or federative society). This leads us to the question of how it is possible for these people, frequently being numerous and heterogeneous, to act together within their co-operative enterprise.

It is here that the co-operative values and principles play a role. These decide how the relationships between the members work, just as the relationships between the members and their society. The functioning of these relationships depends to a major degree on

the rules established for collaboration, i.e., the co-operative principles adhered to by the co-operative. The co-operative principles are a set of rules that give guidance on what members and the co-operative organization are to do for each other. If it is to be possible to reach agreement concerning which co-op. principles are to be established, there must be certain co-operative values present among the members. The co-operative values provide the basis for the co-operative principles, and the principles are operationalizations of the values.

### 1.2 *The Concept of Co-op Values*

The members of a society are involved in the co-operative as a result of certain functional needs. They own and run the firm because of these interests. They have exchanges with the enterprise in the form of purchases and/or sales. These relationships have consequences for the possibilities of the members to effectively run the co-operative. If the group is large, heterogeneous and dispersed, it may require great resources to coordinate the different members. The fact that the firm is based on functional interests causes difficulties since they are often diffuse and ambiguous. To the extent there are different opinions as to the functional interests, this may lead to time-demanding, paralysing and efficiency-inhibiting disagreements.

The concept of co-operative values can be seen against this background. If the members, despite their large number and differing interests and despite diffuse goals, are to be able to agree on how the co-operative is to work, it is compelling that they all have a similar set of conceptions. If the members have largely the same opinion on how the enterprise is to be run they can easily coordinate themselves in such a way that the business can satisfy their interests. This is the role of co-operative values within a co-operative organisation. The co-operative

values in the minds of the members have positive effects on their ability to get their needs satisfied through the co-operative firm (Laurinkari & Brazda 1990, pp. 71 ff).

Consequently, if we are to understand co-operative businesses, the concept of co-operative values plays an important role. The nucleus of the concept is value, which means "the moral principles or accepted norms of a person or a group of people" (Collins . . . 1991). The values express people's opinions on what is right and wrong, good or bad, important or unimportant, beautiful or ugly, etc. A value cannot be objectively proved to be correct or incorrect, but there is often an intersubjective agreement on different values. From this we can understand that appreciated values are largely associated with culture and to different sub-cultures. The differences present between the values expressed by different people concern both which values are desirable, and just as frequently, the importance that should be attached to these values.

All humans have sets of values in their minds. These values change with time but slowly and not without resistance. In other words, they are deeply rooted in one's subconsciousness, and thus they affect individual opinions relating to all everyday decisions. It is this fact - that the values are of such importance for a person's awareness, opinions, justifications, experiences, etc., - that explains why the values are so slowly and so difficultly changed. When a person changes values then numerous other psychological changes must be made simultaneously if all her different opinions are to remain in harmony with each other (cognitive consonance: Engel & Blackwell 1982, p. 34).

The co-operative values consist of values or norms inherent in the minds of the members. Thus it is the values of the members that are decisive and



not those of the leadership or the employees. To the extent the latter have observed co-operative values it is through implantation by members and elected representatives in connection with recruitment and socialisation. That there are no co-operative values within an organisation as such is obvious - they can be characterised by co-operative principles to the extent they have been entered into statutes, policies, and sets of rules.

The co-operative values are thus found in the members and the co-operative principles are attributes of the co-operative organisation. Naturally, if the employees of the organisation accept co-operative values much is gained, since they will then probably work for the benefit of the members and the communications between members and employees will be easier. A specific co-operative organisation culture is valuable for the enterprise to operate for the benefit of the members.

The values that are called co-operative values are entirely general and are widespread within many cultures. They may be closet characterised as

humanistic values and are found in different ideologies and different cultures. Co-op values thus consist of a set of

values that co-ops by no means have a monopoly of, though the concept of co-op values is rarely ever used outside co-op circles. What makes these common values appear to be co-operative is that they have a positive effect on human efforts to run a business together in order to achieve common benefits.

The role of co-operative values is explained in Figure 1 (on page 4). If the co-operative firm is to be able to work for the benefit of the members the relationship between members and the co-operative must be designed in accordance with certain principles. If the members are to accept that these principles are to be adhered to, they must pay tribute to certain sets of values. The co-operative values are, thus, conditions for the co-operative principles, and the starting-point for both the values and the principles is the cooperation concept as established in the definitions. If the principles of open and voluntary membership and domestic control mentioned in the figure are to be maintained, then there must be accepted opinions among the members that equality, human rights and freedom are im-

portant facets of human interaction. With such member opinions it will be easier to get the co-op firm to function well. The set of values and principles presented in Figure 1 is only one sug-

## Statement on the Co-operative Identity

### Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

### Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### FIRST PRINCIPLE : VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### SECOND PRINCIPLE : DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

#### THIRD PRINCIPLE : MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operatives. Members usually received limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### FOURTH PRINCIPLE : AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### FIFTH PRINCIPLE : EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees, so they can be elected representatives, managers and employees and can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

#### SIXTH PRINCIPLE : CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

#### SEVENTH PRINCIPLE : CONCERN FOR COMMUNITY

Co-operatives work for sustainable development of their communities through policies approved by their members.

values that co-ops by no means have a monopoly of, though the concept of co-op values is rarely ever used outside co-op circles. What makes these common values appear to be co-opera-

gestion among many others. There are an almost infinite number of different interpretations of both values and principles. The three values stated must, however, be considered to give a concise yet appropriate formulation of co-operative values. The list of principles is the one established by the International Co-operative Alliance in 1966.

A co-operative organisation can follow the two first-mentioned principles by including them in their statutes, and thus it will support the values relating to equality, human rights and freedoms. The corresponding situation applies to the other principles and values. If the co-operative society has included them in the statutes, policies and other sets of rules then it is of less importance whether this specific value has a very strong following among the members - but it must have at least some footing. Provided that a society has incorporated certain principles in its regulations, then members not in sympathy with the corresponding values will be unable to cause any particular damage to other members.

1.3 Co-operative Ideology :

Empirical observations show that members of co-operative organisations, particularly successful ones, often have an ideology of one kind or another, e.g., Christian belief, a Socialist inclination or a humanistic attitude. This may also be expressed as belonging to a certain social class, a specific

line of interest, or in perceiving a common threat. The co-operative values can also be accepted within a wide range of political convictions, such as liberalism and socialism. Only the most extreme political ideologies are based on values that lie outside the co-operative value system.

Against the background of these observations it is easy to understand that co-operative organizations can be found throughout the world and that

***“If the principles of open and voluntary membership and domestic control are to be maintained, then there must be accepted opinions among the members that equality, human rights and freedom are important facets of human interaction.”***

co-operatives has existed during major part of human history. If, in addition, we bear in mind that co-operative businesses, when considered concretely, can be designed in an infinite number of ways, it may be even easier to understand the spread of this type of business form. This illustrates that the cooperation concept does not coincide with these different ideologies. A common mistake is that people believe that co-operative ideology is

linked with certain political, religious or other convictions. Usually this stand-point is based on the fact that the co-operatives one knows about are based on certain ideology. The fact that this may concern so many and so different ideologies is, however, a reason for caution.

The co-operative concept cannot simultaneously belong to different and mutually incompatible ideologies. The fact that many co-operative organisations have memberships that admit to a certain ideology makes it easier for co-operative businesses to be successful, but it does not imply that this is a co-operative ideology, and even less that it is the co-operative ideology. Instead, the conclusion is the opposite, namely that the co-operative business form has no links with any political, religious or any other specific ideology. Cooperation is not a socialist phenomenon as many Swedes might believe, neither is it a liberal organisation form, as Danes sometimes assert, and nor is it a variant of capitalism as believed by many Americans. All of these forms can be included within co-operation.

Instead, if all members conform to one and the same set of values (largely unimportant which one) then the sense of unity among members is strengthened. The degree of homogeneity will be higher and the members will be increasingly willing to subordinate themselves to the common benefit and to show solidarity to each other. Communications between members function better, the goal-formulation process will run more smoothly, management of the business will be improved, goals will become more precise, etc. The ideology of the members functions as a kind of catalyst working for the common benefit of the co-op organisation and, thus, the actual type of ideology followed by the members is almost of subordinate importance.

The co-operative principles are

**Figure 1. Relationship of principles to the underlying values of co-operation (Craig 1993, p. 44)**

Principles	Value Sets
1. Open and voluntary membership	-2) Equality, human rights and freedom
2. Democratic Control	-3) Economic justice
3. Limited interest on shares	-1) Mutual assistance
4. Return of surplus to members	
5. Co-operative education	
6. Co-operation between co-ops	

sometimes said to express, together with the co-operative values, a co-operative ideology. The concept co-operative ideology is often used, however, as a kind of religion, i.e., diffuse demands are placed on logic, consistency and stringency. In the way many writers treat the co-operative ideology it can contain almost anything without much being explained other than the author expressing sympathy with certain ideas and ideals. Co-operative ideology of this kind may be destructive, since it can entice people to attempt to achieve things that do not concur with the economic demands

an antiquated ideology.

Thus, we can hear people in Swedish agricultural co-operatives arguing that distance neutrality (no geographical price differentiation) must be maintained because it is a co-operative principle, that interest should not be paid on individual equity capital in a true co-operative, etc. Arguments of this kind prevent innovations and improvements in efficiency. It is close at hand to believe that members demanding status quo do so simply to protect their own interests, e.g., that members wish to retain freedom from interest, but these relationships do not appear to be

In circles characterised by a co-operative ideology it is not unusual to find that co-operative values are regarded normatively. There is a desire to demand that members, elected representatives and officials have certain co-operative values in their norm system and to demand that co-operative societies and enterprises are based on these values. It is difficult to fit this view into a scientific context. Its character of authoritarianism and hierarchy is also difficult to fit into a set of democratic values. In other words, there is a contradiction here. Use of administrative or political means to demand

Figure 2: Co-operative Values

Autor	a. Sociality Values					b. Sovereignty Values		c. Rejected
	a1 goals	a2 resources	a3 operations	a4 member treatment	a5 control	b1 member independence	b2 enterprise independence	
Münkner (1974 p.14-17)	economy social advancement	self-help (solidarity)	equity	democracy	liberty			altruism
Marcus (1988)		member commitment		honesty care for others	democracy			
Böök (1992), p 51)	economy (meeting peoples' economic needs)	social emancipation (mobilization of human resources)	mutual self-help (solidarity & self-reliance)	equity (social justice)	equality (democracy)	liberty (voluntariness)		altruism (social responsibility) internationalism (international solidarity, peace)
Böök (1992) p.52)			solidarity mutuality constructive-ness	honesty humanity, caring fairness responsibility fidelity	democratic approach			
Böök (1992, p.219)	economic activities meeting needs	human mobilization		social responsibility	participatory democracy			national & international co-operation
Craig (1993, p.44)			mutual assistance	economic justice equality human rights.		freedom		

and which thus may in fact work against their own interests. Many co-operative enterprises have attempted to justify the failure of unfortunate commercial decisions by referring to

entirely clear-cut. Observations suggest that there are members who genuinely experience a co-operative ideology, though ideologies with often quite different contents.

that members of co-operatives should adhere to a certain set of values is unreasonable, particularly since members are independent beings and co-operative organisations are autonomous, to-

gether with the fact that they operate in widely different environments. Thus it is not possible to make normative decisions, based on administrative or political grounds, concerning the co-operative values that members of co-operative organisations shall have.

From a scientific perspective, the concept co-operative ideology is thus problematic or even debatable. Ideological conviction leads to blindness in analyses - a good co-operative ideologist is a poor scientist, and a good scientist is a poor co-operative ideologist. Scientific methods cannot be used to demonstrate that a co-operative ideology should include a given set of values since normative views conflict with the concept of ideology. The scientist is naturally able to make descriptive and analytical studies of co-operative values of the minds of people, i.e., to map them and try to understand them.

#### 1.4 The Co-operative Values:

The literature contains many lists of co-operative values. Some of these are given in Figure 2. It can be seen that there are very different opinions of these values. This is because co-operative values, just as values in general, are fairly vague. They can be interpreted, and are interpreted, in many ways in different parts of the world, in different time epochs, and in different branches of co-operation. This means that attempts to classify them involve great difficulty.

In principle, the co-operative values can be identified in two ways. The first is inductively, i.e., using ideological starting-points, general opinions, historical experiences, and similar empirical bases. The other approach is to use theoretical starting-points in an analysis of which values must be present if a co-operative organisation is to function successfully. The former approach is totally dominating the literature. Nonetheless, it is the latter approach that is tried here and which

leads us to the classification shown at the top of Figure 2.

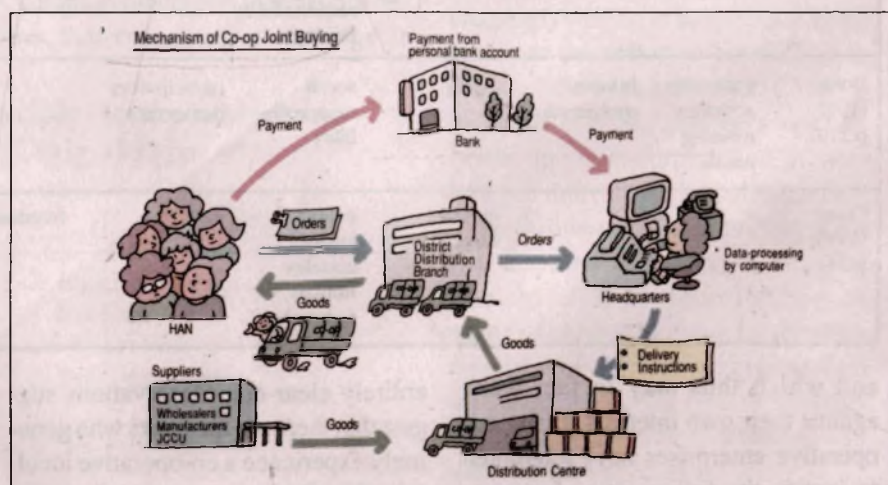
The inductive approach has deficiencies in that there are considerable differences between different authors, and even contradictions. With a deductive or analytical approach the starting point must be the definition of the cooperation concept and an understanding of which conditions must be fulfilled if a co-operative enterprise is to function successfully. The question is, then, how co-operative values can contribute to these conditions being fulfilled; i.e., which value structures must be present in the minds of the members to enable them to run their co-operative firm.

This question can be answered by means of transaction cost theory argumentation. This theory has been found during recent decades to be exceptionally useful in understanding many problem areas encompassed within the co-operative form of business (Staatz 1987b). In co-operative research the transaction cost theory has foremost been used to analyse member transactions on the market versus their transactions with the co-operative enterprise. Interaction between members has been the subject of transaction cost theory examination to only a minor extent (Bonus 1986; Nilsson 1991). In other literature, however, applications

of transaction cost theory as applied to human relationships is common - when human relationships are characterised by confidence, proximity and friendship the transaction costs will be low (see e.g., Sjostrand 1985, pp 174 ff).

If there is a given set of values in the minds of the members, which as the least common denominator has that they experience themselves as a group, then these members will have lower transaction costs when coordinating their interaction. Here there is a condition for homogeneity - all members have the same set of values. The decisive factor is, however, not the actual homogeneity of member values but that all members have values of such a kind that they are linked closer together. For example, we may imagine a group within which there is a mentality of deceit - despite the homogeneity of their values such a group of tricksters would have high transaction costs if they were to interact.

Instead, a requirement is that member values are homogeneous in respects that make it easier for them to coordinate. This is what is called co-operative values. The presence of co-operative values in the minds of the members contributes to strengthening the co-operative organisation in two ways. The co-operative values reduce



Reducing transaction costs - A Japanese model of joint buying (HAN)

-Acknowledgement: JCCU

transaction costs for members not only in their relationships with each other but also in their transactions with external parties. Fellowship and confidence are often stated to be important factors in reducing transaction costs (e.g., Ouchi 1979). In the interaction between people that occurs in the establishment, management and running of co-operative organisations there is a potential for extremely high transaction costs. This is so as the members are numerous, heterogeneous, have diffuse goals and will have to invest large amount of resources.

a. First of all, the transaction costs of members are reduced in their interaction with each other if they have a common set of values. They have greater confidence in each other and thus feel less afraid of getting involved in the co-op organisation - financially, personally and socially. The confidence implies a reduced risk that others may behave deceitfully. Since all are dependent on each other they must accept that everybody should have the same role. Each individual must realise that she is part of a larger group and that the interests of the entire group must be fulfilled if her own demands should be satisfied. These values may be given the label of sociality values. Different values of this type can be identified and occur with a considerable degree of overlapping.

a1. There must be an agreement as to the goals of the co-operative enterprise. Members shall accept that the goals and interests of others must be satisfied if their own interests are to be promoted and if others are to respect one's own interests. Promotion of social cohesion in the group is strive for, together with social advances since this is beneficial for the entire co-operative as regards both the economy and the control of the enterprise.

a2. The problem of how the co-operative organisation is to obtain resources must be solved in such a way that eve-

rybody must be willing to contribute resources in accordance with a generally accepted principle. If each and every member knows that all the other members also contribute resources then she will be will to do so as well. A kind of solidarity is needed both for investments and for trade between members. This is not least important as regards human resources since without involvement nobody can be expected to contribute financially.

a3. An important issue is the members' opinion of how the business is to be run. Basically, this concerns awareness that one must offer help if one is to receive help from others. Help to self-help expresses social involvement since thereby one can realise that when acting together one can achieve more than when acting alone. Members are prepared to support each other, even if the reason is that one then can expect support from others.

a4. A condition for the individual to become involved is that she considers

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***“Help to self-help expresses social involvement since thereby one can realise that when acting together one can achieve more than when acting alone. Members are prepared to support each other, even if the reason is that one then can expect support from others.”***

---

herself to be well-treated. This assumes that the individual must also accept that everybody else is treated equally well. When the actors are dependent on each other each of them will be interested in ensuring that the interests of others are also satisfied. This may involve questions of fair-

ness, etc.

a5. It must be possible for the members to efficiently control the co-operative organisation. This means that the individual must acknowledge the right of others to participate in the control of the enterprise - others should have influence just as the individual herself. If everybody has something to decide on how the enterprise will function better, which will be to the advantage of the individual. This may involve a certain kind of democratic governing principle, or some other form, that the members find suitable and reasonable.

b. Secondly, certain co-operative values contribute to reducing the transaction costs of members and the co-operative organisation in their dealings with outside partners. This concern values that contribute to the member being less dependent on external actors, which also implicates that neither the co-operative enterprise should be in a dependency situation in relation to others. Thus, these values may be called sovereignty values. Members should be their own masters.

b1. This category includes the individual member's demands for freedom and voluntariness, i.e., that the co-operative shall not have compulsory power over the members.

b2. There are demands for independence for the co-operative organisation in relation to external interests, regardless of whether these are sources of capital, the state, trade partners, or others. We may possibly be critical of this value, firstly because it does not solely apply to co-operative organisations - all organisations and their members or owners are interested in being independent. Secondly, the demand for independence is implicit in the requirement for member control (a4 above) - if the members run the co-operative organisation then nobody else can get control over it.

Values b1 and b2 result in the

transaction costs being reduced through the reduction in the risk taken by the members, but here it does not concern the risk that other members will behave deceitfully. Here the risk is that the business one becomes involved in does not turn out to be as valuable as expected, either directly (the member's relationship with the co-operative) or indirectly (the co-operative organisation's relationship with outside parties).

Figure 2 shows that many of the co-operative values mentioned in the literature fit this set-up well, even though they are identified by inductive means, i.e., on the basis of experience and ideology. This is hardly surprising. A more interesting observation is that the authors reveal what appear to be a number of gaps and limited opinions. Most interesting is that some of the values stated in the literature cannot be accepted as co-operative values, namely "altruism" and "international and national cooperation" (column c in Fig. 2).

## 2. Co-operative Principles:

2.1 If the principles of open and voluntary membership and domestic control mentioned in the figure are to be maintained, then there must be accepted opinions among the members that equality, human rights and freedom are important facets of human interaction. We have noted that the co-operative values can be extracted from the co-operative concept. The co-operative principles can be explained in a similar way (cf. Munkner 1974; Mogelhoj 1980). The definition of co-operation expresses that co-operative business is a form of partial vertical integration. Individuals join together in running a business that serves their functional interests. By owning their trading partner these individuals can achieve reduced transaction costs in comparison with those they would have been exposed to if the trading partner had been an independent actor

(Schrader 1989).

By this we can understand that co-operative organisations have both social and economic dimensions. With some simplification, the social dimension may be expressed as relationships between the members, whereas the economic dimension deals with relationships between members and businesses, i.e., they are linked to the society and to the enterprise, respectively. Both types of dimension are just as important since there cannot be a co-operative society unless it owns a business, and there is no co-operative business that is not owned by a society.

From this we can identify two main categories of principles. One concerns principles that determine the role of the co-operative firm in relation to its members. They are present in the firm and they deal with business relationships. Thus, these define the types of market failures that the members would have experienced in their exchanges with other trading partners if they had not had a co-operative. In other words, they state the types of transaction costs that a co-operative firm reduces for its members. Each co-operative organisation thus exists because its members believe that they would be exposed to market failures if they were to act on a free market. By acting within a co-operative organisation they can achieve a better goal fulfilment than they could in other types of transactions. This category of principles can be called business principles.

As examples of well-known co-operative principles of this type we can mention a few that were included in the original Rochdale programme; "same price level as other traders" and "only cash trading" (Orne 1924). This illustrates that this category of principles can vary enormously from one enterprise to another, as well as with time, between industries, economies,

etc. It is thus difficult to include these in accounts of general co-operative principles (Staatz 1987a, p. 34). It is also rarely found today that authors consider such principles to have general validity. On the other hand, it is important that the individual co-operative organisation continuously analyse which co-operative business principles they are following - thereby defining the role they are playing for their members. Situations when a co-operative firm has applied co-operative business principles that have been developed under other conditions have often led to inefficiencies (see Consumer . . . 1989).

The other type of principles is called society principles. They concern the society more than the business, and deal with the social dimension of co-operation. They state how the members' relationships to each other should be designed. Thus, they express how the transaction costs associated to member interaction can be reduced. These principles lessen the member's risk that deceitful action of other members would have negative consequences. For example, democracy may imply less risk that an individual will be disregarded by the others. If the society applies a principle of open membership the risk to the members is reduced since they can join the society for a test period and easily leave the society if dissatisfied. The principle of fair distribution of surpluses means that one has greater assurances that no other member tries to obtain undue personal advantages.

Without these society principles the members would have insufficient confidence in each other to dare invest resources in common business. It would involve unreasonably large expenses to check that all members were working for the benefit of the society and were not attempting to misappropriate resources at the expense of the other members.

Even these co-operative principles can vary but they are much more stable over time, between different forms of cooperation and between different countries. The explanation of this can be found in the fact that they are based on conditions of a more universal nature, i.e., the variations have limits governed by human nature.

The co-operative principles are thus certain rules stating how the co-operative society/enterprise shall behave in relation to its members and how the members should behave in relation to each other. Fundamentally, these are the same types of regulations that can be found throughout society in general; legislation, company articles of association, statutes, etc., but also unwritten norms. They are rules that have the function of achieving better coordination in human interaction, whereby the total welfare will be improved.

### 2.2 *The Value of Co-operative Principles:*

On a strictly principle level, we may assert that it is not essential in all situations to have formalised co-operative principles. The concept of cooperation need not imply that co-operatives must be based on a specific foundation, i.e., it is fully possible to conduct co-operative business without any formalised co-operative principles. There were co-operative organisations long before the Rochdale pioneers formulated their principles in 1844.

There is evidence that co-operative or co-operative-like organisations were active in ancient times in Babylonia, Greece and China (Roy 1981, pp. 41 ff). Even in the modern society of today there are many co-operative-like organisations that do not operate on the basis of co-operative principles, for example, village community committees and local citizen groups. Co-operative principles have a function only when certain conditions are fulfilled, even though they are

conditions that widely occur. These are the same conditions that the transaction cost theory is based upon; people sometimes behave opportunistically and have limited rationality.

This is natural, since the co-operative principles have, in fact, been designed to reduce the members' transaction costs. However, in cases when people do not behave opportunistically and they actually have the ability to properly analyse their decision making situations, it is unnecessary to introduce any co-operative principles into the statutes and other rules of the co-operative.

This may be equated with the situation that all members of the group have a set of mental norms that agree with the co-operative values. Their transaction costs are low since they can justifiably trust each other. With a value system of that kind of members will automatically act in a way that makes the organisation effective and viable. It is natural for these people to cooperate; they understand that their individual goals are dependent of the goal attainment of the group; they realise that everybody in the group must have some degree of influence, etc.

To the extent that all members do not fully accept the co-operative values, it will be necessary for the organisation to include co-operative principles in its set of rules. This applies already if there is some risk that some members may succeed in behaving deceitfully since they can cause massive destruction within the organisation. This set of rules should be designed in such a way that the presence of any damaging elements within the organisation is nullified. When it concerns large organisations in a modern western society, co-operative principles thus always are necessary.

This means that co-operative values can have a less prominent place in a co-operative membership. The members might be fairly selfish and deceit-

ful but if there is a functioning set of rules founded on co-operative principles then the organisation can still act co-operatively.

On the other hand, it is unimaginable that the members should completely lack co-operative values since in such a case they would not even accept any rules in the form of co-operative principles (Schediwy 1993). The membership must always have at least a certain degree of acceptance of co-operative values.

This reasoning illustrates that the co-operative principles have a practical and functional task. The co-operative principles can be understood in a functionalistic or theoretical manner. The principles may be shown to play a role to the extent that they reduce transaction costs for the members in their internal transactions, and they state which transaction costs can be reduced in the members' relationship with external parties.

### 2.3 *Structuring the Co-operative Principles:*

The literature contains widely differing sets of principles that are difficult to arrange into a logical and all-embracing structure. One way to create a structure is to start from relationships between the co-operative organisation and the members, since all co-operative principles have the role of defining how these relationships should be designed. In this way the following relationships can be distinguished, and each of them can be stated as a co-operative principle. These exchange relationships are a direct consequence of the cooperation concept itself.

\* It is for the sake of the members that the co-operative firm exists and operates - thus, it is the members who shall decide on the composition of the member group: The principle of membership.

*(continued on page 12)*

# Story of Sarah Kadil : Social Entrepreneur

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Robby Tulus

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## Preamble

A number of friends in Manila raised their eyebrows when told that Tere de Leon, General Manager of NATCCO, and myself were going to Basilan, the Southern Philippine hot spot. No wonder. News broke out just the day before on June 22, 1995, that a heavy bomb blast shook the entire town of Zamboanga City. And that's exactly where Tere and myself were supposed to land before going to Basilan Island. Nonetheless, our resolve was unshaken and we flew to Zamboanga City the next day. We're still alive and well until now.

Basilan Island is known as a battleground for Muslim separatists. With a land area of 137,000 ha, Basilan's rich soil is suitable for crop plantation whereas the surrounding waters are among the area's richest fishing grounds. There has been little economic development in Basilan for the last 25 years and this province is considered the poorest in the Philippines.

Linked to foreign extremists, his Abu Sayaff - or "Bearer of the Sword" - guerrillas are employing the most shocking tactics the world has seen in recent years. Abu Sayaff's most violent act came on April 4, 1995, when it massacred Ipil in Western Mindanao. The attack reduced the once booming town to rubble and left no less than 50 people dead and 60 wounded, mostly civilians. It appears that Abu Sayaff guerrillas are putting pressure on the Moro National Liberation Front (MNLF), Mindanao's more moderate Muslim separatist group.

In spite of the ongoing tense and volatile situation in this Southern island in Mindanao, co-operatives are, by contrast, developing peacefully and well. Thanks to its Chairman, Sarah Kadil, which will be featured later on.

Our trip to Basilan to visit the United Workers Agrarian Reform Beneficiaries Multipurpose Co-operative, Inc. (UWARBMPCI) was impressive, to say the least. The co-op-

to Isabela, the capital of Basilan. The virtually "careless" town of Isabela was packed with small vendors and scattered garbage pails, displaying the impoverished state we were once told. Yet we indulged in a sumptuous breakfast offered in a small café downtown, filling our empty stomachs since the start of our journey at 6:00a.m. from Zamboanga.

Most striking, however, was the sight of "wanted" posters of Abubakar Janjalani everywhere on the walls. Ironically, this Abu Sayaff Muslim chief escaped just recently from Camp Cramas prison, which is located right behind our CCA office-cum-residence (staff call it "RT Bistro") in Manila. But we had no reason to fear because we were escorted by officers of the UWARBMPCI who know the situation in Basilan more than well.

The UWARBMPCI was organised thanks to the GOP's (Government of the Philippines) decision to take on the Comprehensive Agrarian Reform Program (CARP) in 1991. In December 1992, following an agreement on the valuation of the land once owned by Menzi - a crony of then President Marcos in the 1970s - and after the issuance of a "mother" certificate of Land Ownership Award from the Department of Agrarian Reform in 1993, the UWARBMPCI (which is fundamentally a workers co-operative) became a fullfledged co-operative organisation. UWARBMPCI then entered into a lease contract with Menzi Agriculture Corp., for use of the rubber processing factory, palm oil processing facility, coffee and pepper processing, engineering and power site, office complex, and housing units at 1,160,000 pesos (Cdn \$ 64,450) a year. The UWARBMPCI has retained



With the staff of UWARBMPCI

Basilan is also the stronghold for the most wanted Filipino, Abdurajak Abubakar Janjalani, who has taken terrorism to new depths in the Philip-

ative is vigorous, straightforward, hence not difficult to grasp as its convoluted acronym. We took a one-and-a-half hour boat ride from Zamboanga



all of the employees, who at the same time compose its membership now numbering 249.

The National Federation of Labour (NFL) has been assisting UWARBMPCI in the areas of leadership formation, legal assistance, education programs, and marketing and business trouble shooting. It is the co-operative, however, that makes the decision. The Manager cannot by himself alone introduce changes in the operation and production that will have an effect on the condition of personnel, product, technology, marketing, finances and disposition assets. The Board of Directors makes the strategic decisions on these concerns while the General Assembly formulates the long term plans and programs of the co-operative.

Chris Paez, Board member of NATCCO, facilitated our visit to UWARBMPCI in Basilan and this fascinating primary workers' co-operative is now readying to join the NATCCO family through MASS-SPECC. They will remain under the guidance of NFL for their advocacy and agrarian reform agendas, but potentially under NATCCO's flagship for their co-operative growth and development. It also provides good networking between NATCCO and NFL. The Department of Agrarian Reform (DAR) and the Co-operative Development Authority (CDA) have provided very little support. While production and quality of rubber and palm oil are excellent, their current competitive position is only made possible is due to protective trade barriers in the country. This will change dramatically when these commodities come under the AFTA convention in the next 6 to 10 years. Hence crop diversification and professional business operations will be its next challenge.

Sarah Kadil, Chairman of UWARBMPCI, is an exceptional leader which has managed to bring this

co-op into new heights after the reform process. It is believed that UWARBMPCI will survive future challenges because Basilan is in the first place endowed with rich soil, natural water resources and local climate. Capacities of professional staff in managerial positions are also not yet fully tapped. As well, UWARBMPCI has easy access to infrastructures for marketing in Southern Philippines. A good business case for NATCCO to work toward.



*Sarah Kadil*

## Sarah Kadil

Sarah Kadil is not a woman, but a well-built gentleman. Try explaining that to a North American, and we could be laughed at. No such name is attributed to a male in Canada. I am curious to know the reaction of an immigration officer in Canada upon seeing his passport bearing that name.

His full name is actually Sarahani Kadil. But he could not spell his name right when he was in grade one so his teacher advised him to write Sarah instead. Since most Muslims in Basilan do not have birth certificates, the name stuck. Despite being tall and well-built, Sarah carries with him an air of unusual modesty. He struck me as a person who would apologize if he comes five seconds late to a formal meet. But his humble manners are characteristic of one who has the aptitude towards

genuine co-operation. Such humility, however, should not be mistaken as permissiveness. For Sarah is a Tausug, a Muslim tribe known for their tough and warrior-like manners. This is one of the few Filipino tribes that defied the Spaniards and remained independent from the invading Spaniards, Japanese and even Americans. Tausug is allegedly akin to "people of the sea current". Like the sea, the Tausugs could be calm, warm and reassuring a trustworthy ally to sea travellers. On

the other hand, they can be cold, dangerous, and unforgiving if their beliefs or values are denigrated. Sarah is both respected and feared by co-operative members and colleagues.

Born in Siasi, Jolo, Sarah grew up in the Muslim area of Basilan. His parents were poor farmers and could not afford higher education fees for Sarah. He barely finished his secondary education. His marriage was arranged by his parents and despite such arrangement he loves his wife and also continued to love his family. But his love for justice and peace transcends his love for the family. When the Moro National Liberation Front (MNLF) started its war for autonomy against the Philippine government in the 70s he chose to leave his family to join the rebels. He was young, energetic, courageous, and believed in the MNLF's cause for justice and equality for the

Moro people. Dedication for his people and commitment to win the war got him to lead the frontlines against military troops. He quickly rose to become a field commander, fighting to shield his fellow Muslim youths during various ambushes. The war taught him to lead and not be led. But deep disappointment dawned on him when he saw injustices being practised within the MNLF itself. Commanders were enjoying the luxuries of life whereas frontline soldiers were deprived of even the basic amenities for their subsistence. His fortitude to promote justice and peace made him confident that war is not the solution to peace. He left MNLF in 1975 to return to civil society and thus to the fold of law.

Sarah enjoyed reunion with his family and worked as a rubber tapper for a living in the Menzi Plantation in Basilan. But earnings were so poor that he could hardly feed his family. Yet Menzi himself and other shareholders earned millions off the hard toil of workers like himself. So Sarah had to front another war to fight the unjust structures right within his workplace. He joined the union and eventually rose to become its leader. Under severe pressures from the Marcos government he continued to fight for the plight of his fellow workers. And he finally won.

Hand in hand with the National Federation of Labour he struggled for almost four years to acquire the land for his fellow plantation workers through the Comprehensive Agrarian Reform Program. To do so, he first organised the United Workers Agrarian Reform Beneficiaries Multi-Purpose Co-operatives Inc. (UWARBMPCI) that would be the recipient and hence institutional owner of the plantation. 213 farmers, most of them illiterates and underpaid for 30 years, now collectively own the plantation. They currently own roughly Pesos 44.5 million

in assets, and are backed up by 36 co-owners who came from the administration and engineering departments. In June this year they already reaped Pesos 6 million in profits. Through Sarah's leadership they managed to increase livelihood activities by setting up a small bakery co-operative, as well as a Consumer Co-operative. This year UWARBMPCI won a national award as the best farmers' co-operative plantation in Region 9. Sarah shook hands with President Fidel V. Ramos.

When Sarah Kadil was driving me to the plantation site, he said that the past is past. I was once a gomero, a rubber tapper, but from that vantage point I was able to look into the future. Now I am once again looking into the future because together with my fellow co-op members we are planning for the future, a future where all challenges will become only good opportunities.

Yes, he said, I once fought a war with guns, but now I fight another kind of war with compassion. I am optimistic that it will succeed! Yes, Sarah was as optimistic as when he drove me in his old 1951 jeep over muddy roads all the way up to the steep hills around Isabela... a determined leader to reach for new heights. □

(contd. from page 9)

### Nature of Co-op Values ...

- \* It is the members who shall own the co-operative enterprise (contribute with their own capital): The principle of member financing.
- \* It is the members who shall manage the co-operative firm: The principle of member control.
- \* It is the members who, by trading with the co-operative business (purchases from, sales to), shall obtain the benefits of the business operations: The principle of member trade.

Apart from these, no other princi-

ples are needed for an organisation to secure co-operative status. All other principles have the result that one limits oneself to a sub-category of cooperation, or that demands are made that are already inherent in the four requirements stated above. This is a consequence of the principles mentioned being directly derived from the general definition of the cooperation concept.

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*-Editor)*

# Co-operatives - Has their time come or gone?

## When is a co-operative not a co-op?

"When is a co-op not a co-op?" is probably no longer a conundrum. There are several answers such as: "When it is a company," or "When it is government-controlled," or "When its assets have been sold off." But this fact is not always faced with realism by the global co-operative community.

*(This is extracted from the discussion paper circulated by the People's Participation Service, Women's and People's Participation in Development Division of the FAO for the Centennial Congress of the ICA in Manchester, September, 1995. We believe this would stimulate discussions and thoughts on the Co-operative Identity in changing times.*

*The views expressed here are not necessarily that of the ICA or FAO and the paper is reproduced for the readers to think about possible alternatives to maintain the "democratic nature and members participation in co-operatives.*

*- Editor)*

In its submission prepared for the Third Preparatory Committee of the UN World Conference on Women, the International Co-operative Alliance (ICA) includes a "Note on what co-operative enterprises are not."<sup>1</sup> That Note, which is written in the past tense, could well have been written in the present, since it aptly describes the situation of large share of 'co-operatives' today. The elements of the Co-operative Identity Statement remain essentially an ideal.

Conferring the term 'co-operative' on any institution claiming to be one, and grouping all such institutions together under a single umbrella category makes it possible to reach fantastic figures (3.6 billion co-operators),

<sup>1</sup> *International Co-operative Alliance (ICA), "The Contribution of Co-operative Business Enterprise and the International Co-operative Movement to Achievement of the Strategic Objectives of the Draft Platform of Action", New York, March, 1995*

figures which themselves depend on unreliable and frequently inflated national statistics. But surely this does a disservice to the genuine product?

Behind the impression of power, unity, mission and a monolithic movement is a confusing amalgam of institutions in situations where the term 'co-operative' means different things to different observers. In many less

developed and newly industrializing countries now emerging from the grip of authoritarian or centrally-planned regimes, the term 'co-operative' has become symbolic of the opposite values it is supposed to incorporate. For instance, in much of rural Tunisia, where a quarter of a century after the failure of the forced co-operativization programme, the term is still remembered with anger; or in Albania, where any term ('Private Farmers' Associations') will do to avoid the eleven-letter word." Even those genuine co-operatives which have managed to survive independently in such countries have become tarred with the same brush. Tristram Eastwood, writing for COPAC, considers that "the pseudo-cooperative is a particularly repugnant institution because it is a travesty of what it is supposed to be".<sup>2</sup>

<sup>2</sup> *Committee for the Promotion and Advancement of Co-operatives (COPAC), "Special Management Opportunities for Co-operatives", Rome, May 1995.*

Indeed, the juxtaposition of these state-driven 'pseudo-co-operatives' with genuineness which are based on the principle of mutual self-help, creates confusion both within and outside the movement. Studies of 'co-operatives' which use the parody to condemn genuine product are deeply unfair.

Ashish Shah sees co-operatives today having three choices: adopting the company model, the third sector model (basically that adopted in many countries of the South where co-operatives run programmes for the government) or the 'co-operative value-based model'.<sup>3</sup> "Only the latter corresponds to the generally accepted definition, and it is seen as a model for co-operatives "looking for new areas of activity and trying to offer solutions where the state and market fail to address certain pressing problems, such as unemployment and caring for senior citizens or ecological degradation". On the face of it, this implies co-operatives may no longer be capable of operating as economic businesses while complying with the co-operative rule book. Is this not another form of parody?

The co-operative image and identity crisis has different origins and meaning in the industrialized, developing and former Soviet bloc countries. The crisis begins every where with a diluted sense of membership. But it also concerns co-operatives as 'special' forms of private business which distinguish them from capitalistic firms.

### Co-operative or Company?

In the 'industrialized countries', as agricultural co-operatives increase in size of both turnover and membership and their membership gets more het-

erogeneous, maintaining a business system that respects the original co-operative principles is becoming singularly difficult. Members are feeling increasingly remote from their co-operative: even primary agricultural co-operatives may have several thousand members.

***"In large heterogeneous groups, the members' consciousness of their role as co-owners and decision-makers of the co-operative enterprise is decreasing, turning them into simple customers . . ."***

In New Zealand, dairy co-operatives are now regarded as "companies" in all but name. In Australia, deregulation of the economy has led some of the leading co-operatives to be officially converted into "investor companies". In parallel - though moving in the other direction - many private companies are now introducing co-operative-style employee participation schemes and calling for more social responsibility. The frontiers between co-operative forms and capitalistic forms of business are thus becoming increasingly blurred.

As Münkner has pointed out, "In large heterogeneous groups, the members' consciousness of their role as co-owners and decision-makers of the co-operative enterprise is decreasing, turning them into simple customers..."<sup>4</sup> He continues: "Many co-operatives see their only chance to survive growing competition from large multi-national conglomerates as growth in volume of business and size of membership by way of mergers and vertical integration for purely economic reasons". But there is also a growing

awareness that there are diseconomies of scale in horizontal and vertical integration of co-operative (or other) businesses.

It is really possible to keep a balance between necessary management decisions and member desires? Will member desires become inevitably so diluted and general as to become irrelevant?

### Governments' hijack of co-operatives

In much of the developing world and former Soviet block, the "co-operative" institution has been hijacked by governments and parodies of co-operatives imposed on hapless 'co-operators' herded into co-operatives which control rather than empower them. Most of these institutions simply do not stand up to the test of the basic principles.

In the developing world, the hijacking took place when rural marketing and service co-operatives were taken over as instruments for government control of rural areas and the expansion of the movement was based on government-supplied sources of financing. Co-operators in this case had and still have little reason to feel loyalty towards the co-operative, or to consider it as an organization belonging to them and financed by them over which they can exercise any control.

In some French-speaking West African countries, government intervenes in savings and loan groups in deciding on how to distribute the surplus, to the detriment of the members, and banks exercise control over co-operatives which often results in difficulties for them in withdrawing their funds. With very few exceptions, it is therefore wrong to speak of an identity 'crisis': in most of these countries, 'co-operators' barely identify with co-operatives at all. Indeed, they often do not even know what a genuine co-operative is really all about!

<sup>3</sup> Shah, Ashish (ed), "Structural Changes in Co-operative Movements and Consequences for Co-operative Legislation", ILO, Geneva, 1993. Introductory section, page 14.

<sup>4</sup> Ibid, page. 14

In the ex-Soviet bloc, with the notable exceptions of Poland and Yugoslavia, most existing agricultural co-operatives were gradually transformed into production units providing a whole range of state-subsidized support services, under the guidance of party cadres. Here the identity crisis is expressed differently again. In many ways, belonging to a communist style co-operative in some countries was not so bad. While member participation and productivity per member remained low, the services offered were often respectable. Member attitudes today reflect those advantages, since the majority of agricultural co-operatives survived the transition and most of their members chose to remain in re-established or join newly-formed co-operatives.

This paradoxical attachment to institutions which had gained such a poor reputation doubtless has many explanations; among these is the sense of security conferred by membership in such bodies, the desire to participate in the use of the assets built-up by the co-operatives, or simply to be present when the time comes to share them out. Also, co-operatives currently remain virtually the only channel for input supplies or marketing.

In some cases, co-operative assets which rightfully belonged to the members, have been sold off. This has happened in Albania with abusive takeovers by management. Farmers are left to deal with the now privately-owned structures since no alternative is available, yet without the formal say they used to have in their co-operative and without the social services the co-operatives provided.

### Co-ops in a context of globalization and liberalization

With the end to rivalries between the Western capitalistic system and the Soviet collective one, the way now seems open for unfettered private en-



Co-operative fruit marketing in China: Searching for new technology

terprise, trade liberalization and a hands-off role for governments. The IMF and GATT (now the WTO) proudly point to statistics which allegedly demonstrate the economic success of such policies.

As many critics rightly point out, this 'success' generally conceals growing social and human misery and declining concern for the environment. Besides, many governments are loath to conform to the new rules. The USA is not keen on liberalization of its financial service sector, the European Union resists reform of its support system for agriculture, Japan maintains barriers to imports, and in much of the South and the East, the command and control system remains basically unchanged. The 'market' may be freer, but it is by no means "free".

Nor can liberalization be accepted to imply a 'free-for-all'. The weakest members of the society - be it society-at-large or a co-operative society - have a perfect right to claim some form of protection in law from the stronger.

Deregulation cannot excuse governments from their responsibility to ensure a minimum of equity, or to cushion their sometimes brutal withdrawal, which suddenly deprives co-operatives of support and members of the services which, willy-nilly, the societies provided.

### Preparing to face competition

On the face of it, agricultural co-operatives seem well-placed to occupy an important place in the new economic situation. According to ICA, virtually all Sweden's dairy production is marketed by farmer-owned co-operatives; in Norway, 75 per cent of forest products are processed and marketed by co-operatives; in Italy, 60 per cent of wine is co-operatively produced. Fourteen farmer-owned co-operatives in the USA are among the 500 largest corporations and no fewer than 8 of the 10 largest Canadian firms are co-operatives.<sup>5</sup> But are they still co-operatives?

In the developing countries, equally impressive figures can be quoted: a major share of India's milk is marketed by AMUL dairy co-operatives; in Bolivia 60 per cent of chickens, in Kenya 87 per cent of pyrethrum and in Brazil, 40 per cent of cotton are co-operatively marketed. Twenty-five per cent of India's fertilizer is processed in co-operative factories.

The reality behind this rosy picture is less impressive. In advanced countries, co-operatives have succeeded in obtaining fiscal privileges which put

<sup>5</sup> International Co-operative Alliance (ICA), "The Contribution of the Co-operative Business Enterprise", paper prepared for the Fourth World Conference on Women, 1995

them at an advantage compared to other businesses. Elsewhere, co-operatives have gained a dominant position through artificial means, such as monopolies granted by government. In some countries, they have benefitted from huge capital injections from foreign donors and thus now own substantial assets. But what is their capacity to maintain and manage these assets without continued outside support? In China, for instance, the pervasive rural co-operative system seems to be collapsing under economic liberalization: according to an official estimate, 40 per cent of agricultural supply and marketing co-operatives are virtually bankrupt.

Increasing competition is undoubtedly the main threat to co-operatives used to thriving on government-conferred privileges. Biregaard and Genberg have pointed out that, "Unless the co-operatives can meet this competition, they will end up in downturn spirals of decreasing volumes of business, deteriorating profitability of their operations, reduced capacity to pay remunerative and competitive prices and provide useful services to their members, continued fight of members, still further decline in volumes of business..."<sup>6</sup>

Lethargical movements are ill-prepared for this, and it is hard to see where pressures to become more efficient will come from: not from management, which has had little exposure to decision-taking due to official dikats; or from the government, basically unwilling to see co-operatives develop into strong independent organizations which escape its control and could even pose a political threat; or from the membership, which is often largely indifferent, especially where satisfactory alternatives are available to them.

<sup>6</sup> Biregaard, L. and Genberg, B., "Co-operative Adjustment in a Changing Environment in Sub-Saharan Africa", ICA, Geneva, September, 1994.

However, as co-operatives lose their privileges and slim down, 'hard work and devotion' will be the only way to keep afloat. And as they do, they will become far less attractive for the sharks and hangers-on who abused them previously. Less money means less corruption: perhaps this will allow the spirit of mutual assistance to rise again.

There is no intrinsic reason why a co-operative enterprise should not be efficient and business-like, provided

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*"Unless the co-operatives can meet this competition, they will end up in downturn spirals of decreasing volumes of business, deteriorating profitability of their operations, reduced capacity to pay remunerative and competitive prices and provide useful services to their members, continued fight of members, still further decline in volumes of business..."*

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they have dynamic and imaginative managements. But there seems to be a consensus that the movement must be rebuilt, starting from the grassroots, primary societies that comprise its base. These latter societies are easier to manage than the unwieldy top-heavy structures built-up by government decrees. The primary societies can then recreate secondary-level unions, and up, once they feel the need.

Where secondary unions are working efficiently, they will continue to do so. Where they have patently failed in their mission, they should be allowed to go under without pulling their primary members with them.

### **Are co-operatives inevitable?**

While large government-dominated co-operative structures have been slow to adapt to the new situation; many

other rural institutions have shown more dynamism. The various types of voluntary rural associations, formal or not, and the self-help co-operation networks they create among themselves, constitute the essential framework of social capital in the countryside that supports the emergence of truly democratic and participatory institutions that are in stark contrast to the slow-moving, unresponsive organs of official political democracy. The more such organizations there are, the greater people's choice, and the more chances there will be for wider democracy to work in the new decentralized set-up.

Small informal groups appear to be the most successful and resilient of rural institutions. Their major weakness lies in their isolation and frequent lack of structured horizontal or vertical links to similar groups. Under the former co-operative regimes, being a 'pre-cooperative' was often the only way small rural groups could gain access to certain inputs and services, and indeed obtain a degree of acceptance and protection from the authorities, even though their members may have had neither the intention nor the desire to be eventually incorporated into the officially-sanctioned co-operative system.

Convinced co-operators tend to apply a reductionist theory to third-world rural institutions; once a few people form a self-help group, they have engaged on a path which will inevitably lead them to become a full co-operative.

Is it not legitimate to ask why this should be? Why should efficiently-functioning rural people's institutions be caught up in the web of co-operative legislation and formalism? Co-operatives are one form of rural institution, but they are not the only form. That other forms of rural organization have a rightful place should be recognized by government.. and by co-operatives.

### Where the govt come in?

Just as governments have played a crucial role in co-operatives' submission, so they hold the key to their liberation, inter-alia by creating a favourable legal and policy environment for genuine co-operatives to develop. But they can also do more, for instance, by focusing technical assistance and available financial support on strengthening local co-operative management capacities and creating a capacity for self-reliance. In the past, bureaucratization and paternalistic centralization had the opposite effect of disempowering co-operative society managers by leaving them precious little to manage or decide upon.

Government control usually entails various forms of support. But it also serves as an excuse for interference and this, in turn, is an excuse for the non-accountability of management and discounting of members' views. Interference disempowers the members. Co-operative legislation has reflected this approach.

In former British colonies, the registrar has extensive control over co-operative operations and decisions (right of veto over decisions, political nominees to the board...). K.K. Taimni, in his study of the Role of Co-operative Registrar in South Asian countries, humorously points out that Indian critics of the institution often compare it "...with the mythological Indian god-trinity Brahma (the 'creator'), Vishnu (the 'preserver') and Mahesh or Shiva (the 'destroyer') of co-operatives." The managers consider themselves accountable to government, which they view as their paymasters, rather than to the membership.<sup>7</sup>

As government capacity for intervention declines, legislation governing

co-operatives should be redirected. Legislation has a major impact on the operation of co-operatives and can be negative or positive. In many countries, as in Tunisia, co-operative legislation is dispersed among many texts and needs codifying. Elsewhere, as in France, legislation goes into much detail for different types of co-operatives, leaving few areas for bye-laws to handle. Again in French-speaking Africa, "too much stress is laid on legal formalism". In Uganda, a 1991 statute had a positive effect: it stipulated that if audits were not carried out, elected officials were deemed to have relinquished their office; to avoid this outcome, officials ensured book-keeping was more accurate and management more efficient and this, in turn, left less leeway for minority domination.

What is needed to promote participation and democracy is less regulatory legislation (no more fixed profit margins), legislation which is more understandable to members, less intrusive, and which aims at facilitating co-operatives' operation rather than controlling them. But most important, it should curb vested interests and defend the weaker members. Once efficient and democratically functioning structures have been established, co-operatives should be allowed to be self-regulatory, just as other private businesses are, within the framework of the law.

Unfortunately, reforms aimed at achieving the above objectives are not always undertaken enthusiastically. Governments are clinging on to their power and, in their application, new laws are being resisted by those who have enjoyed sway over co-operative activities. So long as legislation remains vague and inconsistent, reforms will continue to be half-hearted and therefore unconvincing for rural people. Yet, there are some refreshing signs of change, new co-operative laws, such as in Tanzania (1991) and interesting new reform efforts, like the Co-operative Initiatives Project in India, but progress has been slow.

Governments also have a legitimate role in supporting rural co-operatives for purposes of social equity, despite the constraints of structural adjustment, in cases where market forces and the private sector are patently not appropriate. Special features which justify continued support include the high level of poverty and illiteracy of their members and their geographical isolation (from markets, supplies, political decision-makers, technical innovations...).

Government and foreign donor assistance programmes should leave the board and management under directions from the members, free to manage the resources provided without

*(Continued on page 22)*



*Vietnam: Will the structural adjustment help workers' co-operatives?*

<sup>7</sup> Taimni, K.K., "Co-operative in the New Environments: Role of the Registrar of Co-operative Societies in South Asia", FAO, Rome (forthcoming).

## Introduction

Generally, a member joins a co-operative because he expects a certain reward from this step. The reward can be a specific service that he needs, of the best possible quality, and at the lowest possible price, or it can be a job opportunity within the co-operative, for which he expects to receive the highest possible salary.

At this point, it is worthy to note that co-operatives throughout the world may be classified in many different ways, and also as follows:

surpluses?

### What is the surplus in a co-operative?

We first have to understand what the surplus is. The surplus is the difference between the co-operative's total income and its total expenditure. Why do we strive, in most countries of the world, to make a surplus in the co-operative?

We have to clarify right away that surplus is not profit. In a co-operative, there is no profit, only surplus. What, then, is the difference? Surely, in any

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Zvi Galor

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is used to pay the interest on the shares which are in the hands of the members.

Another opinion, this being more or less the official stand of the ICA, is that only part of the surplus is to be returned to the members, according to their participation in the co-operative, and the other part, usually an important one, is to be devoted to joint purposes within the co-operative, such as additional investments, community de-

# Dividing the results in a Co-operative and the Participation of the Members

First, the group of co-operatives where the member is the user. This group includes the consumers' co-operatives, the savings' and credit co-operatives, the insurance co-operatives and the housing co-operatives. In those, the member does not work, but he does expect to receive from them the best possible service at the lowest possible price.

Secondly, the group of co-operatives where the member is not the user, but the owner, the worker and the employee. This group counts the production co-operatives, the construction co-operatives, the transport co-operatives and others. The members make their living as employees of these co-operatives. They hope to receive the highest possible remuneration for their work.

Two questions arise here, which will be answered in due course. What is the proper remuneration that a member should receive for his work at the co-operative, or, how much should the member be charged by the co-operative for the service supplied? The second question is whether or not to strive to make a surplus for the co-operative, and if so, what is to be done with the

commercial enterprise, private or public, the profit is the difference between its total income and its total expenditure. The difference lies in the basic nature of the co-operative, the participation of the members.

In a commercial enterprise, the profit is the dividing of the results of the company among all the investment units. Whoever has invested more is entitled to a larger share of the profit. The surplus is the dividing of the results of the co-operative among all the members' participation units. A member who has taken a larger part in the co-operative's business, will be entitled to a larger share of the co-operative's surpluses. In the co-operative world, there are different opinions as to what is to be done with the surplus. The controversy is whether the eventual surplus produced in a co-operative should be entirely returned to the members, or do we have the possibility, or even the obligation, to utilize this surplus within the co-operative, by looking at what is done with the surplus in many Asian countries, such as India, Nepal, Sri Lanka, the Philippines, etc..., where part of the surplus

development, education and reserve funds.

My personal opinion, as presented in this article, is different, as to the usage of the co-operative's surplus.

An analysis of the co-operative's nature will uncover that its real aim is to serve the member in a number of ways. The first point I would like to mention is, that when we seek to make surpluses in the co-operative, we decrease the quality of the service that the co-operative dispenses to the members, because, in fact, we increase its price or the price of the article supplied. In many countries of the world, even the co-operative law perpetuates this situation, stating that the co-operative's aim is the making of surpluses. In many countries of the world, the co-operative law perpetuates this aim in a clear and strong manner. We have to remember immediately that the signification is: more surplus - immediate decrease of the level of service to the member, in as much as we take the position which I advocate. Of course, the supporters of the opinion that making surpluses is desirable for all the purposes mentioned, will not



accept that. In order to understand what surplus is, let us take as an example a consumer co-operative. How are we to determine the price of an article or a service that the co-operative dispenses to its members? The first element in the calculation is the purchasing price to the co-operative,

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***“When we seek to make surpluses in the co-operative, we decrease the quality of the service that the co-operative dispenses to the members, because, in fact, we increase its price or the price of the article supplied.”***

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or the price at which the given article or service have been supplied to the co-operative. To this price, we add all the direct running expenses of the co-operative. These are all the expenses related to the operating of the co-operative, including transport, wages, rents, electricity, water, insurance, eventual financing charges for the direct running of the co-operative, and any other expense related to the running of the co-operative.

In many countries of the world, including Israel, it is usual to also add to the price calculation the indirect expenses necessary to the foundation of the co-operative, or in other words, the interest and the repayment of the principal, that we pay on the investments in the founding and the establishment of the co-operative, or in financing its fixed assets. In my opinion, these expenses cannot be included in our calculation. The financing expenses of the foundation of the co-operative must be included and managed in a separate account of the co-operative. The fact must be stressed that there are other and different opinions on this issue,

and that I am expressing my own. The reason for my opinion is that in as much as we use the financial turnover of the co-operative for payments on fixed assets, we hereby create a non-egalitarian participation of the members in the financing of the co-operative's assets, whereas, in my opinion, this financing should be equal.

In the management of the co-operative, we have two types of accounts. One - the financing of the co-operative foundation, is the responsibility, equally shared by all members, and entirely financed by the members, whether with cash money, or through the loans taken by the co-operative. The second - the financing of the co-operative's operation. This is also the members' entire responsibility, although never equal, on the basis of each member's participation in the co-operative's business.

Thus, up till now, we have two price constituents of the service or of the article for the member: let us assume that, in a certain consumer's co-operative, one member buys ten times more than another. When we analyse his payment for each of his purchasing units, we see that he pays the co-operative, under the heading of surplus, ten times more than his colleague. If the co-operative decides, for instance, that one half of the surpluses will be invested in the co-operative, we get a situation by which the first member participates in the investment ten times more than the second. They were supposed to invest equally, thus if we accept the assumption that the co-operative's share expresses the total fixed assets of the co-operative, divided by the number of members, since all members have equal rights in the co-operative. Moreover, these unequal investments are not registered on the member's name, and so we arrive at a situation of inequality between members, inequality that creates, with time, alienation between the members and

their co-operative, because we have brought about a state of affairs where a large part of the fixed assets of the co-operative is not expressed by the total value of the shares held by the members.

The second point is the usage of the surplus. In many co-operatives, throughout the world as well as in Israel, there are many usages for the surplus, and one of the last ones is its restitution to the members at the end of the financial year. These varied usages are done on the strength of the principles of international co-operation, or on the strength of the co-operative laws existing in different countries. The surplus is also used, in addition to investments in the co-operative, for cultural and educational activities, communal and social development for the members, and also for the creation of reserve funds. All these usages are extremely important, but they must not be taken from the surplus. All these usages must be financed by all the members, in all equality and justice, yet never from the surplus. The use of the surplus for these aims means that a member who has participated in the

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***“If the co-operative decides, for instance, that one half of the surpluses will be invested in the co-operative, we get a situation by which the first member participates in the investment ten times more than the second. They were supposed to invest equally..”***

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co-operative's business to a greater amount in paying more than the others for these activities. We must bear in mind that, although these activities, education, community development, are of great importance, the problem

is not whether or not we need them, but what will be the source of their financing. In my opinion, the members have to bear the costs, on any basis that will be decided by them. I do recommend that the source for their financing is not taken from the surplus, for the reasons explained.

**Some basic principles concerning the surplus in the co-op.**

The surplus is exactly the difference between the total income of the co-operative and its total expenditure. But the surplus, or the profit, cannot be the co-operative's objective. It can be only an instrument and a means. The surplus is the 'security belt', an additional precaution, that we use within our costing policy, which we implement towards the members, or towards the market, in order to insure ourselves that we do not work at a loss. Once we are certain about the business outcome of the co-operative, and for this purpose, there is no need to wait till the end of the financial year, we reimburse the surplus to all the members, proportionally to their involvement in the turnover of the co-operative, or to their part in the use of the services of the co-operative. This rule is valid with all types of co-operatives. The surplus is

***"The surplus is the 'security belt', an additional precaution, that we use within our costing policy, which we implement towards the members, or towards the market, in order to insure ourselves that we do not work at a loss."***

a temporary fund, paid by the members, until the final price is set, at which time, it can be returned.

The fact must be remembered, that many co-operatives in the world sell

their services also to non-members. The question arises: what is to be done with the surplus in these cases? My personal opinion is that the right of non-members to use the services of the co-operative must be reduced as much as possible, but since the reality throughout the world is different, we have to relate to it. The surplus created by the non-members is a sum belonging to all members equally. The members decide how to divide this surplus. Any use of the surplus is thus within the co-operative rule, since the surplus belongs to all, and is equally divided between all.

**General formula for calculating the price of participation in the co-operative**

We can now present the formula that will enable us to calculate the price of the article or the service in any co-operative. The formula is:

Purchasing price of the article or the service + direct operational costs + allowance for surplus = Selling Price.

$$P - P + D - C + S = P - M$$

P.P. = Purchasing price of the article or the service.

D.C. = All the direct operational costs needed for the running of the co-operative.

S. = The surplus, if existing.

P.M. = Price to members, the selling price of the article or the service to the members.

The presented formula is specially well adapted to the real consumers' co-operative. But in fact, it is also fitting for other types of co-operatives. We shall now try to present the main types of existing co-operatives, and the formula, based on what we have shown, and how it is adapted to every type.

*a) The credit and savings' co-op.*

This co-operative is based on the basic principle: it encourages its members to save to the best of their ability,

and enables them to receive loans when they need them. In any case, the real credit and savings co-operative will always do its utmost to pay its members the highest possible interest on their savings and deposits, and will always charge its members the lowest possible interest on the loans granted.

What will be the formula for calculating the participation in such a co-operative:

The interest paid to members on their savings and deposits + direct operational costs + allowance for surplus = the interest on loans granted to members.

We can present this formula as follows:

$$I.S.A. + D.C. + S = I.C.$$

I.S. = (P.O.) the interest paid to members on savings and deposits.

D.C. = All the direct costs necessary for running of the co-operative.

S = The surplus, if existing.

I.C. = (P.M.) the interest charged on members' credit (loans granted).

It should be remembered that the more the co-operative reduces its operational costs and reduces its allowances for surplus, the larger its elbow room will be for compensating its saving members by increasing the interest on their deposits, and for compensating its borrowing members by decreasing the interest on their loans, or for any other form of compensation that will be decided by the members.

*b) Marketing Co-operative*

The formula for a marketing co-operative is similar to that which we have already presented. The marketing co-operative markets the products of its members. Its role is to market everything that is produced by the members,

to seek and locate the markets where the members' products will get the highest possible prices, and to pay them the highest possible remuneration, from what these markets pay for the members' products.

The formula for this type of co-operative will be as follows:

$$M.P. - S - D.C. = P$$

M.P. = Market price, the selling price of the product on the market.

S. = Surplus, if existing

D.C. = Direct operational cost, all the direct operational expenses necessary for the running of the co-operative.

P = Price paid to the members for their products.

Regrettably, many of the marketing institutions and co-operatives, in Israel and throughout the world, have forgotten the price they receive from the market, and the payment to the member is last on their list of priorities. The result, sooner or later, is that these bodies stop being co-operatives and become something else, or disappear.

*c) Co-operatives of production and services*

The particularity of these co-operatives lies in the fact that they supply work and income to their members, and this is actually their first objective. Their main problem is how to calculate the proper remuneration due to the member for his work. The specific difference between this type of co-operative and the others that we have examined, is that the members' salary is under a separate heading, and is not included in direct expenses.

The formula for the co-operatives of production and for the co-operatives of services will be somewhat differ-

**Situation of the Co-operative Societies (in Israel) at the end of 1993**

Type	Total at end 1992	Registered	Erased	Liquidated	Total at end 1993
Kibbutzim	283	1			284
Moshav Ovdim	351				351
Moshavin Shitufiyim	44				44
Co-operative Villages	75				75
General Agri.Societies	298	6	1	1	302
Agri.Marketing & Supply Section	60				60
Water Supply Societies	250	15		1	264
Agri.Insurance Societies	6				6
Rural Community Settlement Societies	132	12			144
<b>Total Agri.Societies</b>	<b>1499</b>	<b>24</b>	<b>1</b>	<b>2</b>	<b>1530</b>
Producers	45	3			48
Services	61	1	1	1	60
Transport	19	1			20
<b>Total Producers Societies</b>	<b>125</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>128</b>
Consumers	17	1			18
Housing	177	4	1		180
Housing Services	8				8
<b>Total Housing Societies</b>	<b>185</b>	<b>4</b>	<b>1</b>		<b>188</b>
Credit and Mutial Aid	37				37
School Savings	2				2
<b>Total Credit</b>	<b>39</b>				<b>39</b>
Provident and Pension Funds	38			1	37
Audit Unions	9				9
Assistance Unions	16				16
Miscellaneous	5				5
<b>General Total</b>	<b>1993</b>	<b>44</b>	<b>3</b>	<b>4</b>	<b>1970</b>

Source: *Co-operatives in Israel, Ministry of Labour & Social Affairs*

ent, but still always based on our basic formula, that takes into account the fundamental rule that the aim of the co-operative of production is to give the member the highest possible remuneration for his work in the co-operative.

The formula will be as follows:

Purchasing price of raw material + the total of direct operating expenses + remuneration to the member for his work + allowance for surplus = Selling price of the product or service to the customers.

In most of the co-operatives of production throughout the world, the seeking for surplus is the strongest moti-

vation leading the co-operative's management, the result being a decrease in the member's remuneration for his work. The augmented surplus is used for various purposes, such as additional or renewal investments in the co-operative, instead of being entirely reimbursed to the members. In Israeli co-operatives, this has become common practice by force of habit and of co-operative knowledge, as also of reality. Why must surplus money not be invested in the co-operative?

Let us take as an example a co-operative, and to finance their investment in fixed assets, they take a loan, to be returned within five years. They both

work on the co-operative, and receive an equal salary for equal work. One of the two members decide that he wants to work more and of course to receive a higher salary for his additional work. Every day, he works 50% overtime. The second member is not interested, and his eight hours work are enough for him. The members' income expresses the amount of their work.

The practice in the co-operatives in Israel is that the loan that was taken for the financing of the co-operative's assets is to be returned from the co-operative's income. The signification is that one member pays for the return of the loan 50% more than the second. After five years, we arrive at a situation by which the investment in the co-operative has not been financed equally by recorded in the co-operative's registers. By the registers, the two members are two equal owners of the co-operative's assets, in spite of the fact that one has paid more than his colleague. Moreover, the two members continue to work. Now, there is no more need to repay loans, therefore, the available income for distribution between the members has augmented. We arrive at a situation by which one member enjoys an increased income due to an investment paid by the second member.

We can present the formula as follows:

$$P.P. + D.C. + R.M. + S = M.P.$$

P.P. = Purchasing price of raw material to the co-operative.

D.C. = Direct operational costs, the total of all expenses for the running of the co-operative.

R.M. = Rewards to Member's work.

S. = Surplus, if existing

M.P. = Market Price of Product or Service (Selling Price)

In Israel, several co-operatives of production and of service include in their formula a number of other elements: first the reward for work, then the reward for investment, and finally the reward for social advantages. The reason for this lies mainly in the special conditions of Israel, and in the co-operatives' concern to protect themselves against public or official control, with regard to the remuneration that they pay to their members. If everything would have been shown under one and only heading, the member's salary would be too high, compared with the average wage, and this is what the leadership of the co-operatives wanted to avoid.

The main error of this approach, in my opinion, is the mixing of the reward on investment capital of the member, into the system of direct remuneration to the member for his work. In my opinion, the system of salaries and remunerations to the member must be absolutely separated from the remunerations on invested capital. As said, investments must be paid equally by all the co-op members, and completely independently from the system regulating the co-operative's income. The reward on this capital comes from its total linkage to the real value of the fixed assets of the co-op. This situation will enable the co-op to increase the amount of money available for the remuneration of the members' work, thus encouraging the member to work more and earn more.

### Conclusion

The calculation of the financial results of a co-operative, as presented above, is a very simple and easy matter. The formulas presented are in fact adapted to the majority of the world's existing co-ops. I would assess that the implementation of my recommendations will help the co-op members, as well as contribute to the discussions and debates on the international co-operative principles. □

(Continued from page 17)

## Co-ops: Has their....

paternalistic interference. Strengthening a society's member service functions, for instance, is especially important in outlying areas and can serve to attract members. Support could also serve to guarantee loans; presently, many co-operatives are not a good risk since their finances are in a poor state, partly due to debts accumulated as a result of government imposed programmes. these should be written off.

Donors may have another role to play by making their support conditional upon involvement of effectively member-controlled and financed associations and co-operatives in projects. They could seek the transfer of functions such as education and training, marketing and other activities to associations and co-operative secondary and tertiary level structures, as soon as they are objectively in a position to take that responsibility. International 'experts' will need to be trained to recognize such organizations and to have the patience to deal with them. Unfortunately, all too often, the donors' agenda is radically different from both the government's and, more important, from the rural people's.

Clearly, there will continue to be strong resistance to conceding greater freedom to rural organizations. The local elites, co-operative bureaucrats, local power networks, governments all have their own reasons to maintain the status quo. A recent study on sub-Saharan Africa has pointed out that rural society continues to be dominated by an interventionist policy giving government authorities a high degree of control over rural institutions. A similar study on Asia's co-operatives sees government intervention in co-operative business being maintained throughout the region, including Japan and Australia. □

# Women's participation in agricultural co-operatives in Korea

## Agricultural co-ops in Korea

Agricultural co-operatives in Korea were established in 1961 based on the Agricultural Co-operatives Law. Agricultural co-operatives were established to charge with the responsibility of enhancing the economic and social status of member farmers, as well as developing agriculture and improving the welfare of rural communities.

Agricultural co-operatives are divided into 2 types of co-operatives. One is regional multi-purpose agricultural co-operative (regional agricultural co-operative) based on region. The other is agricultural co-operatives of specific crop, regardless of region (specific agricultural co-operatives). There are 1359 primary regional agricultural co-operatives and 45 specific agricultural co-operatives.

At national level, NACF (National Agricultural Co-operative Federation) was established in 1961 as the apex organization of agricultural co-operatives. At present, NACF has 15 provincial and city offices, 155 county offices and 564 branch offices of NACF bank throughout the country. Agricultural co-operatives and NACF perform diversified business activities related to rural life and farming, including banking, sup-

## Min-Sun Park

ply, marketing, insurance, warehousing, transportation, processing, farm-

growth. However, the progress in improving the status of women has been less impressive. In Korea, sexual discrimination of women due to the acceptance of Confucian ideals has dominated all aspects of women's

lives. And in rural area, where conservative thought is more common than in urban areas, women's status is lower than that of the urban women.

Women's participation in agricultural co-operatives, reflected by social environment, is very limited. In Korea historically, agricultural co-operatives are men-oriented co-operatives.

First of all, it was almost impossible for women to become members by law. According to Agricultural Co-operative Law of 1961, only the head of household can become a member. But the Law had changed in 1988 that only one person from one household can become a member.

But usually as man is manager of family farm, it is common for a man to be a co-operative member. Traditionally, land is inherited by men. So man is the master of production, property and labour power of the farm household. Therefore, the thought that man is representative of a household and women's social activities can be substituted by her husband is general.

## Business Performance of NACF in 1994

(in billion won)

	1993	1994
Marketing	5,236	6,013
Fruits & vegetables	2,225	2,734
Food grains	2,065	2,347
Livestock & others	946	932
Agricultural export (in US\$ thousand)	10,360	12,383
Supply		
Fertilizer	329	334
Agricultural chemicals	121	91
Feedstuff	417	433
Consumer goods	980	1,091
Banking		
Deposits	14,080	15,659
Loans	26,351	19,768
Insurance premiums		
Life insurance	1,347	1,656
Damage Insurance	10.7	13.0
International Banking (in US\$ million)	1,590	1,936
Import banking	1,0087	1,273
Export banking	582	663

ing extension and related support activities such as research, publications and education.

## Women's participation in agricultural co-operatives

Women's participation in agricultural co-operatives in Korea is influenced by Korean social context. During the last three decades, Korea has achieved remarkable economic

According to these kinds of thought, almost all members are men. And most of present women members are widows. In 1,359 primary regional agricultural co-operatives, the total number of members is 1,746,165 and that of women members is 186,733 (10.7%). Most of the women members are aged and less educated than men. Because they are in a minority, they are indifferent in participating in the co-operative's management. So it is very natural that primary co-operatives do not have women directors or women chairpersons.

Because a small number of women are members, women's participation in management and activities is negligible. The activities of co-operative is oriented to men and management of co-operative is governed by men. In rural areas, most of the men consider women not as a farmer but as a farmer's wife. As their husbands are members, co-operative managers think that there are no difficulties for women in using co-operatives. And women themselves have no interest in any involvement in co-operative activities and decision making. They also think themselves as co-operative users.

But in rural areas, women are the

main labour force for farming and managers of farm household economy. According to rapid economic growth, migration of young population from rural areas to urban areas has increased and so the family farm cannot be sustained without women. In 1994, 2699 thousand people were working with agriculture, forestry and fishery. And 47.1% of them are women. But their status in family and society is not equal to their labour.

### Constraints on women's participation

In our co-operative movement, women do not participate equally as men.

The constraints, on the reflection of social environment, are as follows:

First of all, the earlier Laws prohibited women from being a member. Agricultural Co-operative Law of 1995 also has some restrictions on women becoming members.

Secondly, the leaders of co-operatives, who are men and have conservative thoughts and attitudes towards women, are indifferent to women's participation.

Thirdly, women themselves are conservative and passive. Especially

women members are aged and less educated. And some of them are illiterate. They have no idea about the co-operative movement. They think that they are just customers of co-operative stores or co-operative bank.

Fourthly, there are very few women employees who can change the thinking of conservative male leaders and take initiatives to foster women's participation.

### Amendment of the Agricultural Co-operative Law

In June, 1995, Agricultural Co-operative Law has been amended. With the conclusion of GATT/Uruguay Round negotiations and the emergence of the World Trade Organisation (WTO), Korean agriculture is forced into an entirely new and challenging situation. As the weakest and the most disadvantaged sector of the economy, agriculture and the rural economy will be most adversely affected by the new multi-lateral trade agreement. Even though women's status in rural areas and agricultural co-operatives, the situation has been changing. As mentioned family farms cannot be sustained without women any more.

Aware of the impending crisis faced by agriculture, the Korean government has finalized a new set of comprehensive development policies and programmes aimed specially to improve the competitive ability of farmers in 1995. The reform of agricultural co-operatives is one of the important parts of the development policies and the issue of qualification of members is one of the reforms. Korean government held a series of hearings to discuss this issue.

NACF presented its opinion on the issue. NACF's opinion was that membership limitation to one member per household should be changed and any person who involve in farming should be eligible to member a member.

Also the National Farmers' Asso-



*Korean Women's Co-op Club members are learning how to operate farming machine.*

ciation, the Korea Women Farmers' Association and the Korea Successor Farmers Association insist that agricultural co-operatives must open their membership to any one who involve himself/herself in farming regardless of his/her status in farm household.

The main thought behind these ideas was that women are not passive labourers any more. Especially, the Korea Women Farmers' Association disseminate these kind of thoughts. They insist that women who work for their own family farm should be categorized as women farmers and not as the wives of farmers and they are farmers in their own rights.

During the industrialization, young people have migrated to urban areas and only aged people remained in rural areas. Due to this, the family farm could not sustain without the women. That means, it is impossible to think of agricultural reform without positive policies on women farmers.

They suffer from heavy dual labour, domestic and agricultural and insufficient welfare measures. Therefore, young ladies do not want to marry young successor farmers and some young farmers themselves migrate to urban areas, just because of marriage. How to settle young people in rural areas is the most urgent problem facing the Korean government. That means, how to cope with rural women's problems is important for agricultural development project of the government. Thus women themselves have to participate in decision making process in solving their problems and their families' well-being. And as the organization for members, the agricultural co-operative itself has to confront to rural women's problems. To solve their problems, women must participate in the management of co-operatives.

Another aspect that influence the change of law, was the change of thought and the belief that woman is



*Raising funds for Women's Club through collective cultivation in South Korea*

an independent person, who has her own ideas and interests. So women cannot be substituted by their husbands. And these days, by the industrialization, there are many farmers' wives working on non-farming jobs in rural areas. That means, women are the masters of their own labour and subject to their own behaviour. Therefore, the membership of agricultural co-operatives has to be based on individuals and not on household.

### **Changes of Law and the future outlook**

According to the new law, two members are allowed per household, if some conditions are satisfied. Korean government specified the following as examples:

- \* That if two persons are responsible for different crop or crops.
- \* That they should be decent farmer households and full time farmer households who are selected and fostered by government agricultural policy.
- \* That the member farmer is over 55 or losing the ability of management.

Though government illustrated these examples, primary agricultural co-operatives can have their own

standards by the decision of their boards of directors. Until now, women enrolment as members has not been activated. Some co-operatives has very broad standard that women who work for their own family farm and want to be members can be members.

But many co-operatives are very negative on women enrolment. Usually women working for their own family farm cannot satisfy the first condition. So if the co-operative is very strict on the qualification of a member, most women cannot become members. Primary co-operatives asked NACF how to interpret the examples given by the government, but NACF has not prepared any standards and make the primary co-operatives to make their own standards.

Only changing law will not influence so much to women's participation in co-operatives, because of deep-rooted conservative attitudes. But as mentioned above, Korean agriculture cannot be sustained without women and without solving their problems. In the long run, agricultural co-operatives have to open their membership to women and changing of law will affect positively to women's participation.

## The International Co-operative College, Stanford Hall, Loughborough, Leicestershire, UK

The Co-operative College Training Centre at Loughborough has announced the following study programmes for 1996/1997:

### How to Make Field Education effective within a Small Budget

April-June 1996 and April-June 1997 ( 10 weeks)

This course is designed for those responsible for extension, field education for co-operatives or any other training programme for people in low-income areas, where communication is difficult.

Objectives of the course are:

- use and make video programmes and slide tape programmes;
- contribute effectively to radio programmes;

- write and produce leaflets and training manuals;
- commission work from printers and desk top publishers;
- use word processors;
- make visual aids without any special equipment;
- attract suitable audiences and keep them interested;
- teach people with low education;
- collaborate effectively with other programmes aimed at the same target group, such as adult literacy.

#### Course content:

Curriculum design, management of field education, using mass media, environmental studies, making a video, making a slide tape programme, making training material with and without

a word processor.

Study visits will include a radio studio, an institution providing distance learning, co-operatives which are making good progress with small resources and relevant training programmes.

For further details on course fee, etc. please write to:

**N C Wijayaratna**

Co-op Education Development Officer (Int'l)

The International Co-operative College Training Centre  
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United Kingdom

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## INSTITUTE OF RURAL MANAGEMENT, ANAND

### Invitation for Collaborative Research on Rediscovering Co-operation

IRMA is commissioning a year-long research programme leading to a national seminar on Rediscovering Co-operation in November 1996 at IRMA. This is a part of the Golden Jubilee Celebrations of the Kheda District Co-operative Milk Producers' Union (AMUL).

Academic scholars, leaders of co-operatives and practitioners are invited to write analytically rigorous conceptual/empirical papers on any of the following themes:

- a) Bases of Co-operation: lessons from various disciplines - economics, ethics, sociology, psychology, law, history, systems theory, game theory, organisation theory, etc. - on the importance of co-operation and the conditions necessary for the emergence and success of co-operation;
- b) Strategies for the Models of Tomorrow: based on successful grass-roots level experiments in specific sectors, formulating a proposal and a strategy for a large scale programme for promoting co-operatives; and
- c) Co-operatives in the Emerging Context: implications of the emerging trends in economic, social, political, technological, and other environments for the management of co-operatives.

\* Honorarium and limited financial support for research is available.

\* Papers accepted for the seminar after a rigorous review process, are to be brought out in an edited volume.

\* Papers are to be submitted on or before July 31, 1996.

For further details contact at your earliest:

**Professor R. Rajagopalan**

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## The International Institute (Histadrut - Israel)

The International Institute at Bet Berl, Israel, has announced following international activities:

### 01. Self-help Economic initiatives in the Urban Informal Sector - Workshop.

*For whom?:* leaders of co-operatives and community organizations concerned with the development of self-help economic initiatives in the urban informal sector.

*Main Topics:*

- The comprehensive nature of the development process.
- Urbanization in developing countries.
- The informal sector.
- The role of grassroots community-based organizations in community development.
- Micro-enterprises - planning organization management and finance.
- Co-operative principles and practices.

- Co-operative organization and management.

- Entrepreneurship.

*When?:* 17 June - 01 August, 1996

*Language:* English.

### 02. International Workshop on Human Resource Development within Co-operatives

*From Whom?:* Directors and senior staff of co-operative educational institutions and for co-operative leaders responsible for national co-operative education programmes.

*Main topics:*

- Development and underdevelopment
- Role of co-operatives in development
- Scope and content of co-operative education
- Life-long education, leadership development, grassroots education
- Planning and management of co-op-

erative education programmes.

- Need assessment, budgeting, staffing, administration and scheduling.
- Curriculum development.

*When?:* 25 Nov. - 19 Dec., 1996

*Language:* English

*Scholarships:*

There are few scholarships available for these 2 workshops which covers tuition costs, accommodation, cultural and social activities, as well as health facilities, insurance and pocket money.

For further information, please contact:

**Mr. Zvi Galor**

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The International Institute  
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## International Credit Union Leadership Institute

A training program for credit union executives and board members worldwide (August 18-21, 1996)

*For Whom?:* CEOs, board chairpersons, directors and senior staff from credit unions, leagues, national associations and other affiliated credit union organizations worldwide. Team attendance is encouraged.

*Topics:*

- Assessing leadership practices and developing strategies for improvement.
- Creating a vision of greatness for your credit union-why and how.
- Team building : Enhancing member service by creating a culture where everyone takes responsibility.
- Implementing a vision through Empowerment.

- Women and credit unions.
- Utilizing technology - Getting ready to ride the wave.
- Member-based marketing strategies.
- CEO/Board competencies.
- The potential of the global credit union network.
- Embracing diversity as a competitive strategy.
- Cultivating new volunteer leadership.
- Issues facing the world movement.

*Venue:*

The Hilton Atrium Hotel in Prague, Czech Republic

*Institution fee:*

The comprehensive fee for the Institute is US\$ 695 per person (US\$595 if received by May 1). Fee includes tuition, materials, Sunday evening reception, and 'A Taste of Prague Culture' social event.

tion, materials, Sunday evening reception, and 'A Taste of Prague Culture' social event.

*Lodging facilities:*

Lodging expenses are the responsibility of the participants. Rates are US\$ 128 (approx.) Single and US\$149 for double per night. This includes full buffet breakfast.

The official airline of the Institute is Lufthansa and it is possible to get discounted fares on this airlines.

The registration should be done latest by 17 July, 1996. For further information, please call or fax to:

**John Vardallas or Sue Schultz**

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# CO-OPERATIVES AND ENVIRONMENT



## Co-operatives and Environment - An International Perspective

Dr. S. K. Saxena, pp. 95, 1995.

Published by Pragati Publications, Delhi

Price. INR 295.

With their considerable and worldwide operations in agriculture, fisheries, distribution and many other fields, co-operatives have significant roles to play in the protection and conservation of environment.

Their role is three-fold: first, they must ensure that their own massive manufacturing activities are carried out in such a way that they protect and do not harm the environment; second, they must exercise the function of advocacy in favour of environmental protection and conservation vis-a-vis the authorities; and third, they have to use their educational facilities for spreading information about environment and in helping to sensitize the members and employees to the issues.

Co-operatives have, therefore, to undertake a number of such intermediate steps as may develop a network of collaborative relations with like-minded organisations, enunciate education programmes for awakening their own personnel and the public at large, to the importance of environmental issues, ensure that their own practical operations are environment-friendly, and finally, they must evolve a coherent monitoring mechanism to check on these activities.

Dr. S.K. Saxena, a world-renowned authority on co-operation, formerly, Director General of the International Co-operative Alliance (ICA), now

based in Canada, treats this topic thoroughly by making an extensive use of the experiences of co-operative movements in Canada, Sweden, Japan in the developed world and those of India, Sri Lanka, in the developing world. Analytic and lucid, this small but substantial work discusses the role of co-operatives in protecting environment.

Without the protection of environment, the process of development is undermined, and without development, resources would remain inadequate for needed investment. The present publication highlights what steps have been taken by the developed co-operative movements in providing relief to the consumers and service-users vis-a-vis environmental issues, and what steps have been taken and what steps could be taken by the developing movements in creating awareness among the co-operative leaders and members to maintaining a proper ecological balance and protecting the environment.

Several instances have been quoted where co-operatives have vigorously participated in this important sector, e.g., National Tree Growers' Co-operative Federation of India, farm forestry programmes of the Indian Farmers' Fertiliser Co-operative Ltd., and the work done on environment conservation projects in Sri Lanka by the National Co-operative Council of Sri Lanka.

Encouraged by the immense potential that the co-operative movement possesses for improving the environment, by virtue of its diverse activities and depth of conscience, the author proposes a six-fold strategy for getting the Movement more actively involved in environmental work. His suggestions are:

- i) Raising awareness and identifying the decision-makers;
- ii) Emphasizing elements common to the co-operative ideology and the environmental movement;
- iii) Contacts with government agencies and technical institutions; if) Strengthening relations with other NGOs and effective lobbying;
- v) Education and staffing; and
- vi) An international co-operative group on environment.

It is an excellent and highly informative document for the use of scholars and field workers engaged in environment and co-operative related programmes in the developing world.

The book is supported by elaborate 'Notes and References' and a 'Subject Index' which enhances the value of the publication.

**- Daman Prakash**

*(Dr. Daman Prakash is Project Director-MAFF projects, at the ICA Regional Office for Asia and the Pacific - Editor)*

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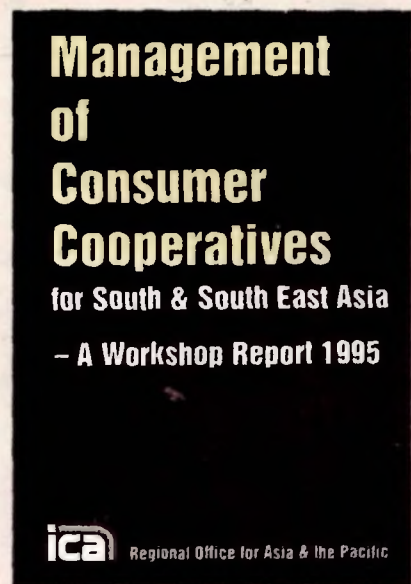
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*ICA Congress : 1995  
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# Looking Ahead for 21st Century: ICA Centennial Congress 1995

After 150 years of co-operation and 100 years of International co-operation, 1300 delegates from co-operatives from different parts of the world and well wishers from many institutional partners of ICA, including the UN system, gathered once again in

last ICA Congress with the traditional style was held from 20 to 22 September, 1995 at New Century Hall, the new offices of the Co-operative Wholesale Society of U.K.

A message from the Secretary General of the United Nations on the occasion of the International Day of Co-operatives said, "As we move into a new century and a new millennium, the partnership between the United Nations and the ICA becomes increasingly important," thus bridging the inter-governmental global agency with inter-cooperative global agency.

Within the increasing global issues on social justice, democracy and poverty related issues, the co-

operatives have begun to show an alternative living culture and a global democracy to political systems. Issues of sustainable human development and civil society concerns have ultimately become internal focus of co-operatives, which culminated in the new principle approved by the ICA Congress and General Assembly - 'Concern for Community.'

The unanimous approval of the Statement on the Co-operative Identity on 21 September by the Congress and on 23 September by the ICA General Assembly set pace for the forthcoming century with new visions, new strategies and challenges for co-operatives.

Unlike early congresses, which had internal issues on the main agenda, the current

event concentrated on much broader issues directly or indirectly confronted by all human kind and their institutions, including co-operatives - human values, business ethics, sustainable human development, environmental and ecological issues, consumerism, democracy and peace.

Women's Conference took the early lead, being the first conference on the agenda of events to discuss the issues of environment, consumerism, fair trading and business ethics.

Consumer organization discussed the adulteration and food additives and to link up with other international agencies to curb such dangerous behaviour on the part of manufacturers.

Information technology and communication were the main agenda for discussions for the communications group and the youth seminar.

Research Forum made an in-depth contribution towards the determination of new values and principles and the aspects of democracy through its 3-day deliberations and workshops.

One specialised committee - IN-COTEC - at least decided to terminate itself and form another global arrangement for HRD after serious discussions with its members.

*(Continued on next page)*



*The ICA Centennial Congress in progress*

Manchester to re-assess the past and evolve new direction for the future. The

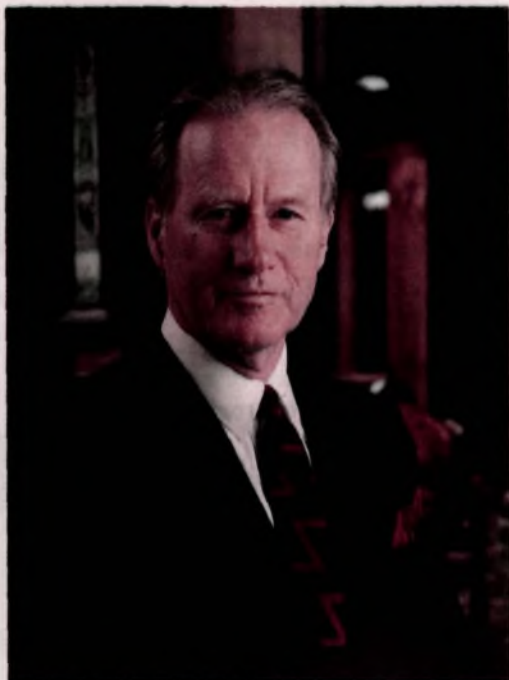
## Jack McLanahan - 81 year old President of Global Co-op Society Inc., USA, on the ICA Centennial, Manchester

It was wonderful, excellent, extraordinary, great, impressive, noteworthy, outstanding, shining, smashy, super, glorious, admirable, beautiful, delightful, good, magnificent.

Had to call up PC Thesaurus to find the proper word to describe our safari to the UK and this is what it had to say. Choose any one or combination of the above and you cannot go wrong. Every thing went just right!



*Mr. Hilbom, Vice President, Europe and Chairman of Consumer Committee at the Plenary Session*



Graham Melmoth, new President of ICA

There were new committees emerged in this Congress, such as Co-operative Health and Social Care.

CICOPA has emerged stronger than earlier during its congress discussions for the future which made an agenda to transform into a self-sustained enterprise with gradual withdrawal of aid to 20 countries under its support within the next 5 years so that the member organizations would become self-supportive.

Lars Marcus who led the ICA for 12 years as its President stepped down with a reflection on the past and an advise for future, "not sit on your laurels, but to strive further for advancement." In his message to the General Assembly, Lars Marcus said, "It is also a correct observation that co-operatives have been built by the instability of economies, both global as well as national. Further more they face the problem of growing trans-national markets and the competition of multi-nationals."

During the centenary year of the ICA, the President's position went back to U.K., with the unanimous election of Graham Melmoth as the new president.

Melmoth is the secretary of the Co-operative Wholesale Society of U.K.

The General Assembly adopted resolutions on co-operative values and new principles, co-operative democracy, sustainable human development and peace.

-Upali Herath

## STATEMENT ON THE NEW CO-OPERATIVE IDENTITY

### Definion

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

### Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### **FIRST PRINCIPLE : VOLUNTARY AND OPEN MEMBERSHIP**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### **SECOND PRINCIPLE : DEMOCRATIC MEMBER CONTROL**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

#### **THIRD PRINCIPLE : MEMBER ECONOMIC PARTICIPATION**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operatives. Members usually received limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **FOURTH PRINCIPLE : AUTONOMY AND INDEPENDENCE**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### **FIFTH PRINCIPLE : EDUCATION, TRAINING AND INFORMATION**

Co-operatives provide education and training for their members, elected representatives, managers and employees, so they can be elected representatives, managers and employees and can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and also leaders - about the nature and benefits of co-operation.

#### **SIXTH PRINCIPLE : CO-OPERATION AMONG CO-OPERATIVES**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

#### **SEVENTH PRINCIPLE: CONCERN FOR COMMUNITY**

Co-operatives work for sustainable development of their communities through policies approved by their members.



## GENERAL ASSEMBLY RESOLUTIONS ON

### ICA STATEMENT ON CO-OPERATIVE IDENTITY & THE DECLARATION ON CO-OPERATIVES TOWARDS THE 21ST CENTURY

1. Since 1988, the International Co-operative Alliance has undertaken a world-wide review of the values and principles upon which co-operatives base their activities, with the objective of strengthening the identity and role of co-operatives in the global economy.

2. Our vision of the future is that national economies will need more elements of self-reliance, democracy, and participation in order to enable people to have more control over their economic and social lives. Co-operatives will, therefore, become even more important, to more people, in the future.

3. From their beginnings more than 100 years ago, co-operatives have been based on values and principles which differentiate them from other kinds of enterprises. They must continue to maintain their distinctive identity in the future.

4. Therefore, the ICA General Assembly, meeting on the occasion of the ICA's Centennial Congress in Manchester, in September 1995, approves the "ICA Statement on Co-operative Identity".

5. The General Assembly further decides that the Statement should replace the "Co-operative Principles," as adopted by the ICA Congress in 1966. It believes that the Identity Statement provides a broad framework, applicable to co-operatives in all countries and sectors. If further understanding is required, reference should be made to the accompanying background paper.

6. The General Assembly addresses the following message to ICA member organisations and to concerned national and international governmental bodies:

a) Co-ops should consider including this Identity Statement

in their rules or bye-laws, should implement it in their daily work, and should encourage their governments to base co-operative legislation upon it, where applicable; and

b) Governments should understand and accept the existence of a co-operative sector in the economy, within a legal framework which allows co-operatives to operate as independent, member-controlled organisations, and on equal terms with other forms of enterprise.

7. The General Assembly also draws the attention of ICA member organisations to the "Declaration on Co-operatives Towards the Twenty-First Century", and requests them to examine how they can apply its message in order to improve the effectiveness and impact of co-operatives in the future. □

*(Resolutions  
continued  
on next page)*

#### Declaration of the 3rd International Co-operative Youth Seminar

Theme: Young People, Co-operation and the Media

The young co-operators of the 3rd International Co-operative Youth Seminar at the Co-operative College, Stanford Hall put forward this summary of the main observations, ideas and suggestions from our discussions.

There is a willingness among young people to participate in co-operatives and co-operative leadership. It is essential that these young, potential co-operators be given the chance to do so.

Young people should, therefore, be encouraged to participate in local leadership and the democratic process as part of their continuing co-operative education.

Young co-operators can, and should, organise education programmes in collaboration with youth organisations and youth co-operatives to introduce other young people to the ideas and the practice of co-operation.

In order to motivate more young people to join co-operatives, it is necessary to make these more relevant to the needs and interests of young people.

We propose to create an international network of young co-operators that will support the education and involvement of young people in co-operatives through communication and sharing of ideas.

We believe that through education and global communication, young people can become more than co-operators of the future, they can be proud to be co-operators of the present.



*Robinhood revisited - An young journalist took time off from Stanford Hall to visit Nottingham and the legendary Robinhood.*

*Resolutions continued)*

## CO-OPERATIVE DEMOCRACY

The Centennial Congress of the ICA, at its meeting in Manchester in September, 1995:

COMMENDS	the initiative of the International Joint Project on Participatory Democracy in Consumer Co-operatives involving movements in Canada, Italy, Japan, Scotland, and Sweden;
ACKNOWLEDGES	the difficulties faced by co-operators the world over to find methods for and good examples of active member participation in more complex business structures, under tougher competition, and with relatively few young members;
EMPHASISES	the need of co-operators to positively influence the living conditions of members through new and existing ways of developing participatory democracy so that our values, ideas, and activities contribute significantly to democratic development for justice and solidarity;
CONFIRMS	the group's finding that participatory democracy (members' participation, commitment, and involvement) must be integral to co-operative activities and continually developed as core conditions for business and society change;
REMINDS	co-operators that participatory democracy is never fixed once and for all but must be continuously recast and reconquered;

### ACCEPTS

the final report of the project group, comprising:

- 1) a description of consumers' co-operative movement (retailing) in each country,
- 2) case studies from each country focusing on increasing member involvement and participatory democracy, and
- 3) conclusions and recommendations;

### RECOMMENDS

further study by co-operators in the five areas of the project:

- 1) expanding members' participation,
- 2) the relationship between members and management,
- 3) innovation of organisational structure,
- 4) expanding the relationship with employee participation,
- 5) economic and social responsibility;

### ENTRUSTS

the Board and Regions to initiate measures for coordinating and informing member organisations about the exchange of experiences and opinions on the development of participatory democracy in co-op organisations in general and on the final report of the International Joint Project in particular. □

## CO-OPERATIVES AND SUSTAINABLE HUMAN DEVELOPMENT

1. During recent years, the term "Sustainable Human Development" has been increasingly used to identify a form of



*Young journalists with the Director of Co-op College and Mary Treacy, ICA Communications Director.*

economic and social development, which is both people-centred and respectful of the environment. Although the concept originated in connection with developing countries, it is relevant to all parts of the world.

2. As institutions whose fundamental purpose is to meet the needs of their members, co-operatives by their very nature contribute in an important way to sustainable human development. As the United Nations General Assembly recognised in a 1994 resolution, "co-operatives in their various forms are becoming an indispensable factor in the economic and social development of all countries, promoting the fullest possible participation in the development process of all population groups, including women, youth, disabled persons, and the elderly."
3. The General Assembly, therefore, welcomes the report on "Co-operatives and Sustainable Human Development", presented to the ICA Centennial Congress in Manchester in

September, 1995, and commends it to the membership for review.

4. The General Assembly takes particular note of the "Co-operative Agenda 21" contained in the report, and reaffirms its view that co-operatives should ensure that both their institutional performance and their member education programmes place high importance on environmental considerations.
5. The General Assembly is of the view that the ICA can most effectively contribute to sustainable human development through the activities of its Regional Offices, and therefore expresses its support for the continued growth and strengthening of the ICA's regional structure.
6. The General Assembly recognises the contribution which many of the ICA Specialised Bodies have already made in

this area, and expresses its view that they should increase their collaboration with the ICA, both globally and regionally, in order to make the most effective use of available resources.

7. Finally, recognising that the ICA structure is a transparent and cost-effective means of promoting sustainable human development, the General Assembly recommends the establishment of an 'ICA Trust Fund' to be controlled by the ICA Board, for the purpose of strengthening the ICA's current development programme; and further recommends that ICA member organisations make regular contributions to this Fund, both to commemorate the ICA Centennial and to indicate their support for ICA's role, in collaboration with its members, as a catalyst of co-operative development. □

## PEACE

The Centennial Congress of the ICA, at its meeting in Manchester in September, 1995, reaffirming its own efforts for world peace:

**RECALLS** that the ICA Rules call upon member organisations to "contribute to international peace and security", and that it is now 50 years since the end of the Second World War, which brought the greatest destruction in the history of mankind;

**EXPRESSES GRIEF:** over the fact that armed conflicts in numerous parts of the world still sacrifice a large number of people, including innocent women and children;

**EXPRESSES CONCERN** about their hindering effects on economic and social progress, not only in those areas but also in the whole world, thus jeopardising global peace and the environment;

**DECLARES** the will of co-operators worldwide to make efforts to create a peaceful world, and their prayers for early solutions to these problems;

**SUPPORTS** the Resolution adopted by the World Summit for Social Development, held in Copenhagen in March 1995, on the "20/20" initiatives for reducing the growing gaps between rich and poor nations;

**CONFIRMS** the actual contributions which the co-operative movement has made to promote the increased participation of women at

the 4th World Conference on Women, held in Beijing in September, 1995, and to support the development of affordable housing at the UN Conference on Human Settlement (Habitat II), to be held in Istanbul in June, 1996;

**RECOGNISES** the importance of following up on the themes of these conferences in each country, and to this end, the necessity of disarmament, protection of human rights, and elimination of disparity and discrimination of all kinds;

**WELCOMES** a series of peace initiatives taken by the UN General Assembly, including the Resolution adopted on 02 November, 1994, concerning the convening of the 4th UN Special Session on Disarmament, and the Resolution adopted on 15 December, 1994, requesting an advisory opinion from the International Court of Justice on the legality of the threat or use of nuclear weapons;

**URGES** co-operators in the world to make efforts by various means for the success of the UN Special Session on Disarmament towards overall disarmament, the early elimination of nuclear weapons, and the establishment of a non-violent world; and

**FURTHER ASKS** member organisations to disseminate the above mentioned ICA peace initiatives in each country, and to contribute to creating a climate for world peace through the mobilisation of public opinion. □

# ICA 1995 at a Glance

## INTERNATIONAL CO-OPERATIVE ALLIANCE

### Individual Membership by Region

#### Asia and the Pacific

61 Organizations  
26 Countries  
498,519,775 Individuals

#### Europe

90 Organizations  
35 Countries  
155,220,784 Individuals

#### World Total

753,810,715 Individuals  
207 National Organizations  
8 International Organizations

#### Africa

29 Organizations  
16 Countries  
13,653,449 Individuals

#### Americas

31 Organizations  
15 Countries  
86,416,707 Individuals

#### Asia and the Pacific

Org.	Country	Individuals
1	Australia	n/a
1	Bangladesh	7,131,933
1	China	160,000,000
1	Fiji	29,391
10	India	166,336,000
1	Indonesia	33,700,000
2	Iran	5,000,000
1	Israel	1,700,000
11	Japan	57,527,085
1	Jordan	47,435
1	Kazakhstan	3,700,000
5	Korea Rep.of	10,040,552
2	Kuwait	143,094
1	Kyrgyzstan	1,069,000
5	Malaysia	3,600,000
1	Mongolia	64,000
1	Myanmar	7,375,000
2	Pakistan	3,400,000
3	Philippines	720,000
1	Singapore	573,010
4	Sri Lanka	8,669,200
1	Tonga	n/a
1	Thailand	3,309,075
1	Turkmenistan	885,000
1	Uzbekistan	3,500,000
1	Vietnam	20,000,000

#### International Organizations in Membership of the ICA

ACCU	6,115,742
Consuminter	n/a
COLACOT	2,500,000
OCA	40,000,000
CCC-CA	500,000
COLAC	4,797,814
ICPA	n/a
WoCCU	95,295,737

#### Africa

3	Benin	56,000
1	Bostwana	79,710
1	Burkina Faso	20,000
1	Cap Vert	20,000
2	Cote D'Ivoire	176,422
6	Egypt	4,000,000
1	Gambia	100,000
2	Kenya	2,652,000
1	Mali	4,400
1	Morocco	21,793
1	Niger	880,000
2	Senegal	2,300,000
1	Swaziland	11,451
1	Tanzania	1,351,018
2	Uganda	1,479,609
3	Zambia	907,000

#### Europe

1	Armenia	700,268
3	Austria	3,144,827
1	Azerbaijan	2,000,000
1	Belarus	2,800,000
3	Belgium	2,725,967
2	Bulgaria	1,942,000
3	Cyprus	287,533
2	Czech Rep.	3,925,883
3	Denmark	1,173,374
1	Estonia	280,000
2	Finland	2,095,503
6	France	16,782,800
1	Georgia	1,700,000
4	Germany	6,331,000
2	Greece	934,863
4	Hungary	4,692,910
1	Iceland	45,968
3	Italy	7,134,400
1	Latvia	761,400
1	Lithuania	406,189
1	Moldova	1,029,400
4	Norway	1,218,600
2	Poland	15,000,000
2	Portugal	2,240,591
2	Romania	14,976,698
5	Russia	25,500,000
1	Slovak Rep.	702,516
1	Slovenia	20,354
7	Spain	2,672,205
6	Sweden	4,456,271
1	Switzerland	1,328,345
5	Turkey	8,314,516
5	UK	8,258,000
1	Ukraine	11,000,000
1	Ex-Yugoslavia	n/a

#### The Americas

9	Argentina	6,123,642
1	Bolivia	45,000
2	Brazil	3,320,000
2	Canada	12,000,000
2	Colombia	1,692,000
1	Costa Rica	484,347
1	Dominica	n/a
2	El Salvador	55,454
1	Guatemala	257,063
1	Mexico	540,268
1	Paraguay	81,000
1	Peru	6,000
3	Puerto Rico	713,433
2	Uruguay	1,098,500
2	USA	60,000,000

#### Past ICA Congresses

1. London	1895	11. Ghent	1924	21. Lusanne	1960
2. Paris	1896	12. Stockholm	1927	22. Bournemouth	1963
3. Delft	1897	13. Vienna	1930	23. Vienna	1966
4. Paris	1900	14. London	1934	24. Hamburg	1969
5. Manchester	1902	15. Paris	1937	25. Warsaw	1972
6. Budapest	1904	16. Zurich	1946	26. Paris	1976
7. Cremona	1907	17. Prague	1948	27. Moscow	1980
8. Hamburg	1910	18. Copenhagen	1951	28. Hamburg	1984
9. Glasgow	1913	19. Paris	1954	29. Stockholm	1988
10. Basel	1921	20. Stockholm	1957	30. Tokyo	1992

# ICA Statement to the Fourth World Conference on Women

Co-operatives, as democratic, member-run and member-financed self-help enterprises have a great potential for contributing to the improvement of economic and social conditions of women worldwide. In the words of the United Nations Secretary General:

*"Co-operative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hand the task of creating productive employment, overcoming poverty and achieving social integration. They constitute a model for a people-centred and sustainable form of societal organization, based on equity, justice and solidarity. And they involve in the development process all sections of society including women..."*

Co-operatives have a key role to play as they are able to respond to both women's practical and strategic needs - those critical

areas of concern noted in the **Platform for Action** - by providing access to income-generating activities as worker-owners and providing essential services which contribute to the advancement of women such as health-care, child-care,

consumer goods. By virtue of this double capacity, women can have access to common production resources (such as credit, land, marketing facilities, infrastructure, tools, technology, etc.), which increase their income as well as lighten their tasks.

By forming themselves into co-operatives they can also benefit from econo-



Participants of the NGOForum at a workshop, enjoying African dance

capacities through income-generating opportunities. The **Platform of Action**

notes that co-operatives can assist women who live in poverty; they can facilitate women's equal access to resources, employment, market and trade; and they can strengthen women's economic capacity.

Co-operatives also contribute to the improvement of the economic, social and cultural situation of women in other ways including improving access to education and training, providing accessible health care, combatting violence

against women, promoting equality, changing institutional biases and improving women's self-esteem.

\* In accordance with the co-operative principle of education and training for members which is also a precondition for

## Impressions on NGO Forum

Due to the sudden change of venue from Beijing to Huairou (52 km away from the city) and tight security, there were some inconveniences, such as long-time transportation, poor facilities, conflict between participants and security police, etc. In spite of these facts, I believe that participants could enjoy and share various kinds of activities.

There were about 400 workshops and seminars organized a day in all sorts of women's concerns. Delegates respected cultural differences and sought how to strengthen their activities among diversity. The Forum gave lots of new ideas to every participant and contributed to better understanding of other people. The atmosphere was very energetic and attractive.

I do not know the situation in former conferences in Mexico, Copenhagen and Nairobi, but this Beijing meeting must be more colourful and diversified in terms of races, ages and culture. I noticed that not only Western women but also African, Arab, Latin American and Asian women were very active and visible. I felt very comfortable.

Furthermore, many of the participants came from grassroots level. For instance, India sent almost 500 delegates, half of them were grassroots activists, including non-English speakers. India had got financial supports from international development agencies like European Union, UNIFEM, etc. and had strengthened NGOs and organized five regional preparatory meetings towards Beijing for the past two years. I think they could send many delegates from grassroots with this support. I myself attended the National Lobby Workshop in New Delhi, which was the last meeting by Indian NGOs, just before Indian delegation left Delhi for Beijing.

In every region of world, the UN had held preparatory meetings for setting up their respective regional action plans. Meanwhile, NGOs had got together, lobbied and discussed draft Platform for Action. One of the objectives of the Beijing Conference was achieved through a series of these activities. In other words, a series of activities developed lots of active NGOs and succeeded in raising awareness of so many people on women's issues.

The main agenda of the Conference was for UN member states to discuss and adopt a Platform for Action. One of the goals of NGO forum was to influence this Platform for Action. 3000 accredited NGOs presented in Beijing, were actively lobbying government delegations. The Women's Linkage Caucus, which consisted of more than 1000 NGOs, had meetings every day and coordinated their activities. They had studied the Draft Platform of action very well and planned strategic actions for lobbying.

-Akiko Yamauchi

mies of scale and improve their access to opening markets.

The **Platform for Action** recognizes the most important contribution of co-operatives to the advancement of women - that of increasing women's economic



NGO Power - Irish women delegates demonstrating for Peace in Ireland at the site of NGO Forum

the empowerment of women's co-operatives in Asia, Africa, the Americas and Europe are engaged in variety of education and training programmes including literacy programmes, management training, technical training relating to production, environment and gender awareness training.

\* Quality health care at reasonable cost is provided by co-operatives in Europe, Latin America and North America. One of the principal beneficiaries of their services have been women.

\* Women in Asia and North America have reported that co-operatives have played a role in reducing violence against women. As respect of women is often related to economic independence, women who participate in co-operatives are less likely to be victims of violence since they are income earners. In addition, co-operatives offer security and protection as they are based on solid-

arity and support among their members.

\* Co-operatives have a role to play in changing institutional biases and traditional and cultural practices and attitudes that have frustrated women's efforts to participate in the economy as more than just margin actors. For example, the International Co-operative Alliance (ICA)

which regroups over 200 member organizations from 101 countries representing 765 million individuals has been engaged in disseminating information and material aimed at recognizing the important contribution of women in development and the need to take concrete measures in each co-operative to contribute to the advancement of women.

\* At grassroots level, women have reported that participation in co-operatives have increased their self-esteem, assisted in earning the respect of their spouses, provided a degree of independence, accessed education, training and information, developed their leadership skills and consequently provided opportunities for the advancement of women.

Women can thus improve their social situation within their communities. A number of examples were provided in documents which were circulated at the regional level preparatory meetings for

the Fourth World Conference on Women in Jakarta, Mar del Plata, Vienna and Dakar.

\* Co-ops improve leadership skills of women members and can provide opportunities for access to decision-making positions. For example, saving and credit co-ops or credit unions em-

power women not just by providing them access to savings and credit services at reasonable rates, but also by developing leadership skills since they rely on their members to determine operating policies through their election of directors and their service on volunteer committees.

Co-operatives are a tested model of organized collaboration which provide avenues for both women and men in partnership to pool human resources, converting individual potential into a socio-economic force.

They are a form of organization, which women can use to help themselves. With their democratic structure, co-operatives offer women, as members and employees, opportunities for participation in and influence over economic activities.

Women gain self-reliance through this participation, as well as access to opportunities which they would not have been able to obtain on their own.

Over the last 100 years of its existence, the ICA has been working with and through co-operatives to empower both women and men in partnership. Indeed in its very first Congress in 1895, the need to fully integrate women into the co-operative movement in order to achieve economic and social advancement of all was recognized.

Co-operatives have made advances. They have served communities and contributed very concretely to the advancement of women in Africa, Asia, Latin America and Europe. However, we realize that much work lays ahead.

Finally, co-operatives both individually and collectively through national, regional and international co-operative organizations have made a pledge to further the advancement of women.

The ICA, which regroups co-operative organizations worldwide, is actively working towards this aim - our common challenge into the next millennium.

We look forward to working with the UN agencies, governments, and NGOs to reach these objectives and the objectives of the Platform for Action. □



Another kind of struggle - A delegate from the Fisheries Co-op Women's Association of Japan at the Women's Conference in Manchester.

# Women's Council studies Japanese Co-operators

The JCCU Women's Council conducted a survey entitled "Japanese Co-operators' Views on Gender Issues" in 1994. The objectives of the survey were to study the views of co-op directors, managers, staff and individual members on the gender roles; identify the factors that inhibit the realization of a gender integrated consumer co-op movement; and use the findings to better future policies.

According to the survey results, following findings have been found;

Compared to the national poll, the co-op survey showed a high level of rejection of traditional gender roles in all target groups and generally high awareness of gender integration. However, in male groups, female directors and female members, there was a large gap between what people thought and their actual practices of division of labour at home.

Male staff members and female man-

agers showed distinct characteristics in their opinions. Male staff were the most ready to affirm traditional gender roles. Women in management positions strongly rejected gender roles and showed the highest tendency toward equality.

Male directors had progressive opinions on gender roles despite their higher age. 70% of them supported women continuing to work after having a child. 40% of male directors have wives who are working on full-time basis. Such attitudes would not be found among executives of other companies in Japan, but are unique feature of the co-ops. In spite of their positive attitudes, they feel little need to promote gender integration in their co-ops.

Female staff members are more dissatisfied or disillusioned with their work than their male counterparts. This seems

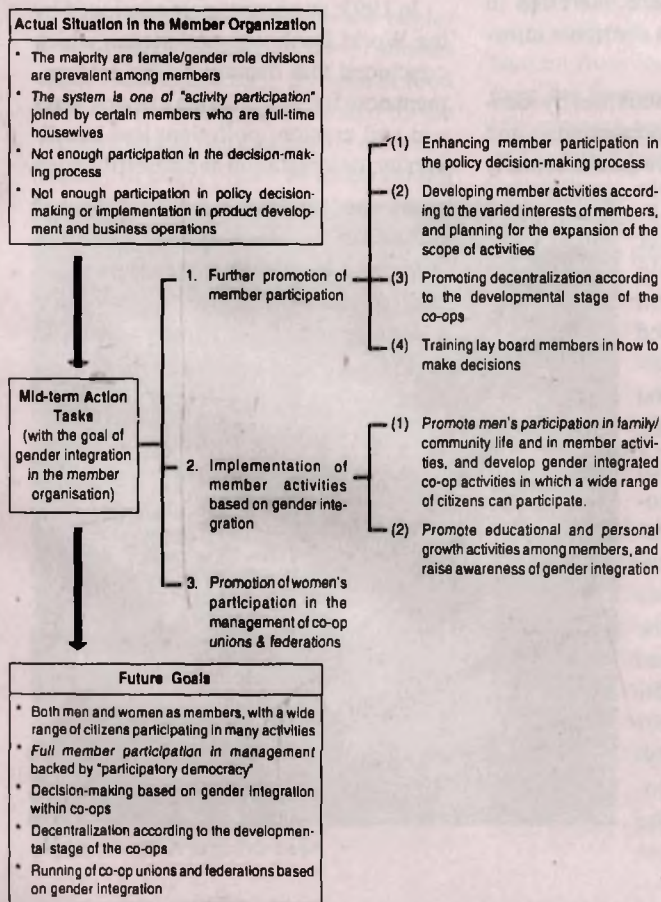
to be related to the disadvantages they suffer being women, both in the daily work and in their long-term career development. In particular, the tendency of male managers to discriminate between their male and female subordinates weakens the enthusiasm of female staff who seek equal treatment.

Overall, awareness of the importance of equality was the highest among the female managers. The male staff members, all relatively young, stressed the importance of gender-based role assignment and were the most conservative in outlook among all.

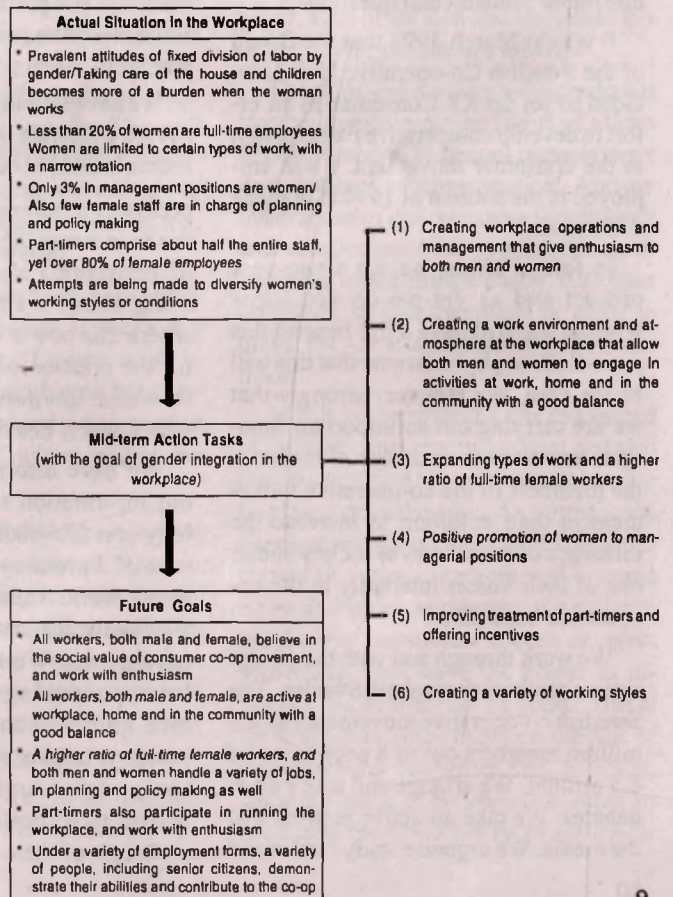
This survey results were used by JCCU's Gender Integration Action Planning Committee to draw up an action plan. This is printed as a booklet "Women's Work? Men's Work? : To live a better life beyond Gender" with the Action Plan of JCCU.

## JCCU Action Plan for Gender Integration

### Mid-term Tasks for Action in the Member Organisation



### Mid-term Tasks for Action in the Workplace



## Consumption – a threat to the environment or an instrument of change?

It is not difficult to picture co-operation as an activity on a small scale, with individuals banding together in order to build up their community with their own hands. This was how it began here in Manchester, and it has continued and the development of society in general bring on changes, as operations become steadily larger in terms of scale and more and more centralised? How can the members have power and influence over their co-operation in the industrial or even post-industrial and highly internationalised society of the 1990s? How can they influence society as a whole? KF Consumer has been created as part of the answer in Sweden to this rather fundamental question?

It was in March 1994 that the Board of the Swedish Co-operative Union decided to set up KF Consumer in an effort to develop co-operative participation in the consumer movement. I was employed in the autumn of 1994 to manage this activity.

In formal terms, we are a two-year project and as yet we do not know whether the will have a life beyond this period, although we assume that this will be the case. We feel very strongly that we are carrying out an important function, as one of the number of tools for the members of the co-operative movement in their ambition to increase the influence of consumers in society and as one of their voices internally in the co-operative business.

We work through and with the co-operative societies throughout Sweden. The Swedish co-operative movement has 2.3 million members out of a population of 8.5 million. We arrange and take part in debates. We take an active approach to the media. We organise study circles and

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**Annika Ahnberg**

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*This was a paper presented by the author at the ICA Women and the Environment seminar, Saturday 16 September, 1995. Ms. Annika Ahnberg is the Head of KF Consumer, a unit which is part of the Swedish Co-operative Movement and which aims to strengthen the position of consumers in society.*

*Ms. Ahnberg is a former MP and member of the Standing Committee for Agriculture and Environment. She is also member of the board of the Swedish University of Agricultural Sciences.*

*Her work has involved environmental issues in many different contexts and she is a well known debater of environment and social issues in Sweden.*

*Ms. Ahnberg is 46 and a social studies graduate. She and her family - her husband and six children - live in Sodertalje, which is about 20 miles from Stockholm.*

seminars. We focus in the Youth Parliament for the environment. We arrange exhibitions. We co-operation in various matters. We are also building up a network for people who are interested in consumer issues and we distribute information to them.

We have started our activities by identifying a number of important areas and issues, which, in our view, are absolutely

necessary to address in order to increase the power of consumers and help bring about a situation where this power is used for the creation of a better world. Environmental issues clearly belong here.

We have also singled out information technology and fair trade as issues of a pressing nature in our work. These areas are closely linked with the environment. Working on issues concerning the future and on consumer power is largely synonymous with working towards overcoming the problems of the environ-

ment. There is no doubt that the situation in regard to our environment is an extremely serious one. In the middle of the 1990s, we can now see many signs that the world is in a state of development which is unsustainable, both economically and ecologically. We are approaching - and have at times even gone beyond - the limits of what the mechanisms of nature can tolerate. And while it may be easy to overlook this in our modern society

with its electronic networks and computers, it is, nevertheless, biological systems which are the basis for our entire existence and for the world economy.

In 1993, an enquiry commissioned by the World Bank was undertaken which concluded that damage to the environment now finds expression in many ways - in soil erosion, pollution, less biodiversity, deforestation and desertification



Head Office of KF in Stockholm



- and that this has clear negative implications for national economies. Let me give you a few examples:

In some countries the felling of trees has virtually devastated the forests as a result of clear cutting and other unsustainable methods.

The bird population is on the decline in every part of the world. According to Bird Life International, falling numbers have been reported in 6,000 out of a total of 9,600 species. In the case of about one-thousand species, the decline is so serious that they are threatened with extinction.

When large amounts of fossil fuels, such as coal and oil are burned, more carbon dioxide is released than can be absorbed by nature and the natural cycle is broken. The additional carbon dioxide in the atmosphere alters the earth's temperature balance, a phenomenon we usually refer to as the greenhouse effect. The consequence is not an even and agreeable tropical-type climate. Instead we get sudden and unexpected changes in the weather. Heat waves in some places, storms and floods elsewhere.

The limitations of nature are beginning to make themselves felt in various ways. Developments in the area of food are very disturbing, as illustrated by the fact that global fish catches are currently failing. In many places so much fishing has taken place that there has been a drastic reduction in fish stocks. This leads in turn to growing conflicts between countries where a significant number of people make a living from fishing, such as

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Spain and Canada or Norway and Iceland. This is an alarming omen of what can happen if we are unable to manage the transition to using natural resources within the bounds of what is sustainable.

In September, 1994, a large UN Conference on Population and Development was held in Cairo. At the Conference a plan was agreed to stabilise the population of the world. The plan is a bold one which rejects earlier forecasts of a global population of 11.5 billion by the year 2050. The new target which calls for rapid and direct action - is a population of between 7.9 and 9.8 billion.

In the same year (1994), global stocks of grain fell to their lowest level for twenty years. Even if the work to stabilise the world population is successful, the situation remains serious. How many people will the earth be capable of supporting with food? This is the most fundamental and important question about consumption and the environment.

In 1990, China consumed 335 million tonnes of grain, meeting nearly all of this amount from its own production. However, the forecast for the future is a rapidly growing need for imports. This will be the consequence of the higher standard of living which China is starting to enjoy. In other developing countries, too, we can see a similar trend.

Beer, which has not been a common drink in China in the past, is becoming increasingly popular. If every adult in China were to increase his or her consumption by only one beer a day, another 370,000 tonnes of grain would be needed.

It should be noted that this is not an argument against the right of those in China to drink beer. It goes without saying that people in developing countries have the same rights as people in industrialised countries to a higher standard of living, whether one is talking about beer, refrigerators or cars.

Those of us who live in the old, industrialised part of the world, are the



HAN women members of consumer co-ops. Active buyers with marginal influence in decision making.

ones who have created and who maintain the lifestyles which result in the laying waste of nature. The old, industrialised world contains only 20% of the world population, although it consumes 86% of all the aluminium, 81% of the paper, 80% of the iron and steel and 76% of the timber produced globally.

The right and the duty we have do not involve questioning the rights of others to development, but entail changing our own patterns of consumption. And by making use of our resources for research and development for this purpose, we can also make things easier for other countries, so that they have no need to make the same mistakes that we have made.

In this process (and I am convinced of this) the consumer movement and also the co-operative movement will be able to play a decisive role. As world trade opens up and grows in volume, consumer choice in various markets will become more and more important. When large numbers of consumers choose or reject something, they have the power to influence the availability of goods. But at the same time, uncertainty on the part of the individual consumer may increase, since the range of goods is becoming so wide and the opportunity to scrutinise

products in various respects is becoming so small. Those organisations who represent consumers will therefore become very important in the struggle for the future.

With regard to the two questions which form the starting point for my speech - Is consumption a threat to the environment? Is it an instrument of change? - I would like to answer them in the affirmative. Consumption does indeed threaten the environment, but it is at the same time an instrument of change!

We can see this very clearly in Sweden. And I shall be giving a few examples of what is happening in Sweden. At times, we feel impatient and think that developments are proceeding slowly, but when

we look back, we realise that the changes that have taken place in the last few decades have been revolutionary.

In the fifties, when I was a small child, my mother and I used to spend our free Saturdays (which had only just come in) visiting department stores, which were also a new phenomenon and which were an invitation to consume. We bought all kinds of practical and useless things. It was a question of buy, wear out and throw away. We didn't have a lot of money and most of what we bought was rubbish, but we had a good time. Consuming was a pleasure.

Since then, several decades have gone by, and today we know that the happy days of consumerism had a devastating consequence for the environment. Nowadays, the watch words are recycling and PPP (the polluter pays principle). The consumer society has become a term of abuse and those of us who, despite this, cannot help being pleased with the new things we buy are at least somewhat ashamed. We now know that our fragile planet cannot be treated as a dustbin. We still live in the consumer society, but changes are on the way. Particularly noticeable is the change in the attitudes of young people. It is also evident that women think more about environmental problems than do men.

At intervals SIFO, the Swedish Institute of Public Opinion Research, compiles a so-called environmental barometer, which describes the attitudes of the Swedish people to various environmental issues. In the last such environmental barometer published by SIFO in



*Busy buying through Han groups near Tokyo*

1991, nine out of ten women and seven out of ten men said that the concept of environmentally friendly was in their thoughts when they went shopping.

In October, 1993 Eureka Research, in association with the National Board for consumer policies, surveyed the patterns of consumption and lifestyles of Swedes in relation to the environment. It turned out that the majority thought about the environment and did something to reduce environmental problems. The survey was followed up one year later, confirming once again that awareness of the environment was high. According to the 1994 survey, 97% of people regularly return bottles and aluminium cans to get back the deposits they have paid, 89% place batteries in special containers and 89% take newspapers and magazines to a recycling point.

In 1993, 21% of people said that they regularly bought products which were made from or packaged in recycled material. In 1994, this figure had increased to 34%.

The proportion of people who buy refillable containers rose from 24% in 1993 to 43% in 1994.

In Sweden organically grown food can be found in virtually all stores. It is true that in many places, there is only

small selection, but the difference compared with only ten years ago is considerable. This trend is not confined to food. A few years ago, there were two or three kinds of environmentally friendly washing detergents with a marginal share of the market. Today environmentally ap-

proved washing detergents make up 80% of the market. There is a strong growth in environmental awareness on the part of Swedish consumers, and it is interesting to note that this trend has not been affected by the economic crisis of the last few years, which has resulted in high unemployment and less favourable financial circumstances for many households. Organic produce and other environmentally friendly products have, despite this, increased their market share.

It is important to remember that these developments have taken place because consumers have demanded them, not because producers and retailers have invested millions in marketing and advertising, as is otherwise so often the case. The concept of environmental soundness has taken off despite their lack of interest and repeated attempts to discredit the interest in the environment.

Consumers have demonstrated, and continue to demonstrate, their collective power when it comes to environmental developments.

It is gratifying to note that the chain in Sweden which was the first to take these environmental demands seriously was the one owned by the Co-operative Union. What is more, the Co-operative is still in the lead when it comes to environmentally sound products. It has a special range of such products which goes under the name Anglamark, a name which has been taken from a melody written by a very popular Swedish song writer. There are at present over 130 products in the Anglamark range.

Environmentally sound retailing, however, is not just a matter of replacing a few products in the ranges available in the shops. For the retailer it is also a question of logistics, energy consumption, the use of CFCs and much

more besides, none of which consumers see when they visit the shops.

Incidentally, today is the UN International Ozone Day, Sweden was among those countries which took the lead in phasing out CFCs, and a report just out by the Swedish National Environmental

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*It is becoming increasingly common for products to be marketed with some reference or other to the environment, when they are not, in fact, environmentally sound.*

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Protection Agency shows that the phasing-out process went unexpectedly smoothly. Prior to the political decision that was taken in 1988, representatives of industry spoke of impending bankruptcies, unemployment and other problems. The report shows that these fears were completely exaggerated. The phase out has succeeded beyond all expectation and is largely complete.

Intensive work is currently taking place in the retail sector. Many companies are investing in more environmentally suited grades of fuel or vehicles used for transporting goods. Deliveries to the shops of different kinds of products are being coordinated. Where different vehicles previously carried bread, processed meat and fruit and vegetables to the stores, coordination has resulted in combined deliveries. Trials are also being carried out on composting waste from shops. These developments are only just beginning. A lot remains to be done, although work is under way. The co-operative movement has made its strategy for this work part of an environmental strategy, and at the headquarters of the Swedish Co-operative Union, a special report about environmental activities has begun to appear.

In retailing, then, positive developments are taking place. Unfortunately, however, there are also those who try to exploit people's involvement in the environment in order to increase their own profits, without actually paying attention to the environment. It is becoming in-

creasingly common for products to be marketed with some reference or other to the environment, when they are not, in fact, environmentally sound. In Sweden, the Marketing Act has recently been tightened up to enable the authorities to bring irresponsible players to book. Undoubtedly, the habitual use of the concept of the environment in marketing is a source of confusion to many consumers. In the spring, KF Consumer included in a survey, the question "Is there anything which you miss, which you think is wrong or which irritates you when you visit an ordinary shop?" Top of the list came environmental labelling, with 40% of those who replied saying that it was poor, difficult to understand or inadequate. In my view, the reason for this is that people regard many of the statements that products carry on them as a sort of environmental labelling, which is what they are meant to think, of course - despite the fact that no labelling is involved in the true sense of the word, with clear criteria and checks to ensure compliance with these criteria.

Another method that is often used is to have a few pennies off the price go to a suitable charity. This gives consumers the idea that by buying this particular product, they are making a contribution to the environment. In actual fact, they would certainly be making a much better contribution to the environment by not buying the product in question at all. It is also common for environmentally sound products to cost much more than other products, not because this is actually justified in terms of production costs, but because the manufacturer or seller is exploiting the consumer's active interest in the environment.

In Sweden, we can also see a tendency for the costs which arise when production, retailing and waste management are to be made more environmentally sound to be passed on to the consumer through various types of charges, e.g. packaging charges. If such charges are combined with systems which carry with them no incentive to reduce the amount of packaging, the PPP or polluter pays principle, tends to be replaced by what I call CCC or consumer carried cost. KF Consumer naturally considers it to be an

important task to monitor and influence the situation so that making the consumer more responsive to environmental demands also goes hand in hand with making environmental demands more consumer-friendly. Unless this happens, the trend towards a high level of environmental soundness will, in the end, be threatened. People will lose patience and become less tolerant if they feel that their commitment is being exploited for the purpose of creating profits for players who are not very responsible.

But now let us widen our perspective. The relationship between consumption and the environment is not confined to retailing. We are also consumers of transport and housing, for example. Environmental soundness must entail basic changes to our patterns of consumption in these areas. The central issue concerns our consumption of energy. We must realise that there is no possibility of attaining an environmentally sound society, without a substantial decrease in the amount of energy we use.

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*Now-a-days, the watch words are recycling and PPP (the polluter pays principle). The consumer society has become a term of abuse and those of us who, despite this, cannot help being pleased with the new things we buy are at least somewhat ashamed.*

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In 1989, a referendum was held in Sacramento county in California. The local population was asked to vote on the future of the Rancho Seco nuclear power plant. A 'yes' vote meant the continued use of nuclear power, while a 'no' vote meant abandoning it. The result was no, and the following day, the plant was shut down. (It is not every where that the production of nuclear power can be halted in such a short space of time). Since then, developments have proceeded apace. The focus of attention has been on everything from energy declarations on household appliances and exchanges on

favourable terms to the consumer, involving refrigerators and freezers that are energy-efficient, to wind power. In Sacramento developments are moved along by the municipal power company, SMUD, which has realised that saving energy is of advantage to the power company as well as to the consumer. The consumer benefits from lower bills, while the company gains through not having to build new and expensive power stations to cope with the demand. This development is very promising. Unfortunately, the view taken by SMUD is unique. It is much more common for energy producers and power plants to encourage higher energy consumption. For this reason, consumer organisations must work actively towards bringing about lower energy consumption.

With regard to the important questions surrounding consumption and the environment outside the area of shops, we have by no means come as far as this in Sweden. We consume a lot of energy per person and we pay too little for it. Energy consumption in large part quite simply does not cover the environmental costs that are associated with it. Here we have a conflict. Is it the task of a consumer organisation to represent the consumers' short-term need for lower prices or should it act from a long-term perspective - seeking to bring about the changes required in order to achieve necessary environmental soundness?

A short-term approach can have devastating consequences. We must not forget that it is not a question of IF we are to reduce our use of energy, but WHEN AND ON WHOSE TERMS. If we are to bring about progress which is acceptable from the view point of the consumer and which does not entail a drastic reduction in living standards, consumer movements must take part in this work, and they must start to act now.

Even though we have a long way to go when it comes to creating environmentally sound production and consumption in society generally, things have started to happen. Reports of envi-

ronmental activities and environmental audits are becoming more common in Swedish companies, the EU's EMAS system here being an important motive force. In the spring, the Swedish government appointed a commission of enquiry with the task of drawing up a plan of action for environmentally sounder production. The government has also declared this question to be one of those it wishes to pursue in the context of EU co-operation.

*In Sacramento developments are moved along by the municipal power company, SMUD, which has realised that saving energy is of advantage to the power company as well as to the consumer. The consumer benefits from lower bills, while the company gains through not having to build new and expensive power stations to cope with the demand.*

The major UN environmental conference in Rio de Janeiro in 1992 was the signal for an exciting development among Swedish local authorities and their counterparts in many other countries. In Sweden, there is co-operation on behalf of so-called municipalities. The activities involved comprise everything from organic farming to waste management.

Inspired by Germany, Sweden has introduced producer responsibility for packaging, and the creation of collection systems is now under way. This has led to increased interest on the part of manufacturers in eliminating unnecessary packaging and refining the materials used, since packaging which contains several different materials is much more difficult to reuse or recycle.

For a long time, environmental advocates were regarded as a little mixed-up and their involvement in the environment was viewed as trendy - a luxury to be indulged in when other problems have

been solved. Now, however, attitudes are different. There is a realisation that the interest in the environment has come to stay. It is not a temporary movement but part of a change in values which goes deep. This can be seen most clearly if one compares the attitudes of older and younger people towards the environment.

At home, I notice this when I compare the attitudes of my grown-up and almost grown-up children with my own.

I am fonder of new and beautiful things than my children. It may be that they have already had a bit too much of their fill of material abundance to start with. After all, they have grown up in a prosperous country during a period of growth and development. They prefer to spend their money on experiences than on material things. I some times find myself urging them to save money with which to buy clothes, furniture or other things that I think they should have. But from an environmental perspective, it is they, in fact, who are right and I who am wrong. In the long term it is more practical

to spend one's money on an enjoyable meal in a restaurant with one's friends than on buying a television set.

It gives one a feeling of optimism to think that attitudes towards consumption are perhaps a generation question and that things are moving in the right direction with insight and reason, even though the process is still a slow one.

Another aspect of the deep-going change in lifestyle is that more and more young people are choosing to become vegetarians or vegans. This is a decision which is based on ethical and moral standpoints. It is a point of view which should be treated with respect; however, there is reason to feel unease when it is based on the idea that nature is in some sense right and that human beings are the biggest threat to the survival of the planet.

There is no morality in nature, which is neither right nor wrong. Nature cannot be the right guiding principle for the way people behave. In the long run, such



Do we need all these? Buyers at Japanese supermarket

an attitude may pose a threat to democracy and human values.

There is no doubt then that today there is a significant appreciation of the need for a high level of environmental soundness in regard to both production and consumption.

Many consumers are prepared to accept responsibility for the impact that their consumption has on the environment. And their numbers are increasing. There is no question, of course, of seeing a straight and steadily increasing line on the graph. It goes without saying that we are influenced by such things as the development of the national economy and our own family.

We are influenced by fashion and trends, but through these trends one can clearly identify concern for the environment. The present commitment to the environment is strong and lasting. Environmental awareness is an important element in the fundamental changes in peo-

***There is a realisation that the interest in the environment has come to stay. It is not a temporary movement but part of a change in values which goes deep.***

ple's conception of the world and lifestyles which are taking place. It does not affect every one at the same time and it does not come all at once. We will not

be able to point to a particular point in time and say that this was the precise moment when the trend was reversed. But we can see all the time, how consumer behaviour is changing. And in this process of change, consumer movements and co-operation

are a strong force.

The Co-operative Union takes part in retailing, but not as an end in itself. Its task is not to get people to buy with all the means at its disposal and to accommodate people to retailing. Its task is the opposite, namely to accommodate retailing to people and their needs. Our task is no longer solely to represent people in their role as consumers, but also to uphold their rights as non-consumers.

The word consume comes from the Latin *consumere*, which means to use or to waste. And wasting things is what we have done for several hectic decades. However, there is another Latin verb which looks almost the same, *consummare*, and which means to consummate or accomplish. Consummating something, e.g. a business deal, is quite different from consuming something, e.g. finite resources. Even so, we can link these two concepts - to consume and to consummate - by saying that long-term sustainable development in regard to consumption is a dream which will ultimately be consummated.

The notion of environmental soundness still meets with opposition from powerful interests, although the interests which work on behalf of the environment will turn out to be even stronger. Of this, I am convinced.

We should remember the ancient Chinese proverb: "Even a journey of a thousand miles must begin with a single step," and bear in mind that we have already taken several steps.

## Mrs. Julie Tan - an appreciation



Mrs. Julie Tan, chairperson of DEW Co-operative Credit Union of Singapore and a long term associate in gender activities of the ICA ROAP passed away on 17 July, 1995 after a brief illness. Her sudden death came as a shock to all of us who knew her. I found her as ever strong mentally and physically.

Julie started her unique DEW Co-operative as the one and only women's co-operative in Singapore, to help poor women in their credit requirements, as well as to provide counselling for the traumas they undergo in daily life for survival. She was an active member of the Credit Co-operative Union (SCOPE) and Singapore National Co-operative Federation (SNCF). She was also a member of the Central Co-operative Fund Committee.

She was a Justice of Peace and a lawyer by profession.

We came across with her during her co-operative career and found her to be a committed social worker who believed in co-operative way of life.

She participated in many activities of the ICA ROAP and contributed towards the formation of a gender programme.

Julie was a warm hearted person who was ready to keep the members with problems to carry on their daily lives. When I visited DEW, I have seen women being counselled and helped. She was a spiritual mother to many who believed in her. Spiritualism was her cultivated character which showed compassion to all living beings.

May her departed soul rest in ultimate peace!

-Upali Herath

# A co-operative from a communicators' eyes

At a recent annual meeting at the Co-operative Communicator's Institute, Gene Ingalsbe, retired director of information for the Agricultural Co-operative service of USDA, summarised 33 years of communicating co-operative principles into the following ten points which we can help all co-operative members and staff tell people about co-operatives:

1. Does your co-operative orient new employees about co-operatives?

**It should.**

2. Deep down, do you really believe in the co-operative idea?

To be a top-notch, convincing co-operative communicator, you must be a true believer. Otherwise, you are just another public relations

tation - what a co-operative in a few concise and memorable words.

Ingalsbe offers this definition: "A co-operative is a user-owned and democratically controlled business, which benefits are received in proportion to use."

4. Know the unique principles that make a co-operative different from other business:

To qualify as unique, principles must-

- \* have had continued historical recognition by scholars since the Rochdale Pioneers,
- \* be supported in national and state laws and regulations, and
- \* be widely practised today by a broad spectrum of co-operatives.

\* Don't compare co-operatives to 'private' businesses as if there were a difference.

\* Don't describe the bottom line on the business balance sheet as 'net profit'; use net savings, net margins or net income.

6. Work at dispelling myths about co-operatives.

Such myths as 'co-operatives don't pay taxes' or the co-op tax treatment is 'unique'. Another myth: 'democratically governed co-operatives have trouble competing in a competitive economy'.

7. Vigorously work at communicating the benefits that co-operatives provide. Publicize patronage refunds to members, etc.

8. Keep your legislators informed.

Send them newsletters, provide background on co-operatives.

9. Don't miss opportunities to educate others about co-operatives.

Surprise people with information about co-operatives that they may not know the Associated Press, Blue Diamonds, Ocean Spray, Sunkist.

10. Work to preserve the co-operative character.

Ferret out pseudo co-operatives.

(From Co-operative Business Journal, courtesy: Co-operative Services Group, NDDB)



Trying to surprise people? Two co-op journalists filing their stories for the Centennial Congress News Bulletin, Manchester, Sept., 1995

hack. A true belief will develop from extensive reading about the history of co-operatives - how and why they developed, what they have accomplished and what is the basis for criticism of co-operatives which periodically occurs.

3. Be able to define - without hesi-

benefits based on use,

\* Operational principle - return to equity capital is limited or non-existent,

\* Governance principle - democratic control.

5. Watch your co-operative language.

The four principles which establish the unique character of a co-operative are the-

\* Functional principle - providing a service on a cost basis (service at cost),

\* Operational principle - ownership financing and

*"In numberless animal societies, the struggle between separate individuals for the means of existence disappears, how struggle is replaced by co-operation, and how that substitution results in the development of intellectual and more faculties, which secure to the species the best conditions for survival"*

*-Peter Kropotkin - reproduced from 'Co-operatives: the People's Business' by Johnston Birchall*

## Production Co-operative - a tool for national development

Zvi Galor

### The Share, Ownership and Participation in the co-operative

The nature of the co-operative member's ownership is poorly understood not only by the members themselves, but also by researchers. In the past, different approaches have resulted in a situation where co-operatives' structure is impaired, and the relationships between their members are not clearly defined and are unsatisfactory, making the long-term functioning of the co-operatives very problematic.

We will begin by concentrating on the question of ownership (Wright, 1979), and its three main aspects: control, benefit and transfer.

Firstly, we will examine the right of control. This consists of the right to use or to direct the use of the property. In a capitalist enterprise, all rights of control lie with those who have invested capital in the enterprise, and the employees have no right of control whatsoever.

In a co-operative, the employees are the owners and also consequently have the right of control. Clearly therefore (and this is something which Wright never mentions), it is in the workers' interest that they have the right of control, and that they provide the capital which will give them the rights of ownership and control.

Benefit, the second right, is the right to receive all the income deriving from the use of the property. In a capitalist enterprise, the sole aim of utilizing the factors of production is to create benefit (and profits) for these who invested their money in the enterprise.

The investors hire workers and pay them for their work. The remuneration from the enterprise for the work performed is limited, while there is no limit to the remuneration for the capital invested (by the capitalist entrepreneur). The remuneration on capital takes the form of a dividend on shares and a rise in the value of the shares.

The first part of this article appeared in the last issue of COOP DIALOGUE (Vol.4, No.1-Jan-April, 1995).

This is the concluding part of the article.

We hope that this article will evoke research and thoughts in to the working of production co-operatives in different parts of the world.

Readers are welcome to contact Mr. Galor at the International Institute-Histadrut, Israel, for any clarifications.

We will be happy to publish any views the readers have on this.

-Editor

In a co-operative enterprise, it is the workers who need to obtain the benefit (profits). This is also one of the reasons why those responsible for formulating co-operative policy have restricted the amount of benefit which the member may obtain from the capital he has invested in an enterprise, in order to make it distinct from a capitalist enterprise. It should be pointed out that this is one of the worst mistakes made by the founding fathers of the co-operative movement since, by restricting the amount of remuneration earnable on capital, they have effectively alienated the member from true ownership of the co-operative. In my opinion, as will be discussed below, the member should be recompensed for his capital investment in a manner which makes such remuneration competitively attractive to the other channels of investment which are open to the member.

The third right, transfer, is the owners' right to sell, rent, lease, transfer or bequeath their assets. In a capitalist enterprise, assets may be transferred from one owner to another, usually at a price reflecting the assets' real costs. But otherwise, the transfer of assets within the co-operative in many countries is severely limited. According to co-operative theory, the right of transfer is likely to encourage members to liquidate their

own enterprise. If this claim is justified, and I am far from certain that it is, it only applies to cases where the enterprise is no longer able to supply the needs of its members. Wright mentions two additional assumptions relevant to our discussion:

1. The distinction between state ownership and co-operative ownership of an enterprise.
2. The distinction between shareholders' equity and loan capital.

When an enterprise is under co-operative ownership, the members enjoy all three of the above-mentioned ownership rights. State ownership, by contrast, exists in two forms:

1. Ownership as in the now defunct "socialist" republics of the USSR.
2. Trade union ownership.

Here, the state keeps the right of transfer to itself while preserving, to a varying extent, the right of control and benefit to the workers, as is the case in Yugoslavia.

To return to Wright's distinction between shareholders' equity and loan capital, he claims that those who invest in an enterprise (in its equity) are, therefore, its owners, and obtain the right of control. They are also entitled to receive any dividends that are issued, and any capital gains deriving from the rise in the value of an enterprise's assets.

In a capitalist enterprise, a single share confers the right to a single vote. In a co-operative enterprise, there is a different approach to equity. A member's voting rights are conferred by virtue of his actually being a member, and not because he holds a share.

When an enterprise needs more capital, it borrows it. The loan capital does not confer any right of ownership or transfer, but does confer the right of benefit, regardless of whether or not the enterprise is making a profit. Both these types of capital, that is, capital raised

from among the members and loan capital, are found in most co-operatives. Here, we come to the main topic of this paper: the relationship between membership and ownership.

#### What is the Share?

First of all, when a co-operative is being established, we must ask what we are actually investing in. Only then can we go on to describe the origin of the sources of finance for this investment.

When any type of enterprise is established, investment is channelled into equity, and into working capital for the purchase of raw materials, wages and other direct operating expenses. The members of a co-operative are fully responsible for both forms of investment, but not in the same way (Galor, 1991). The fact that a member is fully responsible for investment does not mean that he is able and obliged to make this investment in cash.

How much capital should a member invest in a co-operative or, in other words, what is the value of the share? Antoni (1979) maintains that in a production co-operative, the number of members must be equal to the number of work positions. Accordingly, the member is responsible for creating his own work position, that is, he must invest enough capital to allow him to start working and producing in the co-operative.



Farmers from producers' self-help group - Mekong Delta, Vietnam

The value of the share which the member pays to the co-operative is actually equal to the total investment made in the co-operative, divided by the number of members. This formula is easy to comprehend, easy to calculate, but poorly recognised in the co-operative movement. In the past, public transport co-operatives in Israel used this formula: A share was equal to half the value of a bus, since one bus provided work for two members, who each worked one shift a day. The real value of a share was therefore preserved.

Moreover, the definition allowed a member to be an owner of the co-operative, to benefit from its activities and also conferred the right of transfer from a member who left the co-operative to a new member.

In many cases, those wishing to establish a co-operative lack the necessary resources. All they can do is finance a small part of the value of a share. Other capital has to come from loans or grants. This is the reason why in many countries, co-operative legislation has placed a very low, nominal value on a share in a co-operative, thereby preventing a member from really becoming an owner of the enterprise to which he belongs. This situation is worse in a production co-operative, for in such a case, the member is also a worker.

This leads to the question of to whom loan capital belongs and who is responsible for it.

Alternately, we can ask if the co-operative enterprise can be an identity quite distinct from its membership. In my opinion, this is not possible, since an enterprise which does not belong to its members and workers cannot be called a co-operative. The members of a co-operative are its owners, and ownership takes the form of a share held by everyone. A co-operative's equity is therefore equal to the combined value of members' shares. In a capitalist enterprise, the fact that the owner may use loan funds does not detract from his ownership.

When a co-operative enterprise takes out a loan, the loan is repaid without any reference to members' personal obligations. In my opinion, this is not right.

*"The members of a co-operative are its owners, and ownership takes the form of a share held by everyone. A co-operative's equity is therefore equal to the combined value of members' shares."*

The members themselves should finance investments in a co-operative enterprise. They should finance equity by cash, grants or loan capital. I therefore support the formula whereby the value of a share in a co-operative is equal to total investment divided by the number of members.

The member knows that his money is invested in the co-operative, and that he is financially responsible for the co-operative's assets. As a result, he regards the enterprise as his own and wants it to succeed. In such a case, the divide between members and their enterprise which is evident in most co-operatives does not exist. The accepted practice whereby a member takes a minimal part in investment leads to this divide (Galor, 1991).

During the 1970s, an argument arose between those such as Bierzaneck and Prodi, who felt that a co-operative's members should be responsible for as much financing activity as possible, and those such as Vanek, who maintained that all sources of finance should be external (Derick, 1978B). Vanek refers to the Yugoslavian model, where enterprises are not owned by the workers. It should be remembered that the Yugoslavian enterprises in question are not co-operatives.

With Mondragon's co-operatives, surpluses are mostly invested in developing the co-operative, although any such investment is recorded in the member's account and increase the value of his share holding (Derrick, 1978A). This shows how in co-operatives, which are generally regarded as particularly suc-



cessful, there is a connection between the member and ownership of the enterprise.

Subsequent attempts at discussing the value of the share provide only partial solutions (Daniel, 1986). Derrick (1980B) noted that in Polish co-operatives, a member's participation in the enterprise's capital is equal to the value of three months' wages.

Once again, we see a lack of any relationship between the real value of a share holding and the funds required from the member. This is also mentioned by Daniel (1986). Knowing that a new member of a co-operative lacks resources, he suggests that the value of the share should be limited to the equivalent of three months' wages. The share would give the member the right to be a full member. A similar approach could be found in Israel at the end of the 1980s, at a time when solutions were being sought for the problems of the country's production co-operatives. Russel (1991) proposes that a distinction be made between members' shares, which would be of a low monetary value and would confer voting rights, and ownership shares, which would have a higher value.

Daniel (1989) says that the member should pay for his monetary participation in the co-operative by purchasing additional shares, until the sum of his investment amounts to the "value of his place of work" in the co-operative. In other words, we see here a version of the above-mentioned definition, which says that the combined value of members' shares will be equal to the co-operative's share capital or, alternately, the value of the total number of work places in the co-operative. Daniel's idea conforms to the actual structure of Mondragon co-operatives. Daniel also proposes the any sums required over and above the value

of the work place should be deducted from the worker's wages.

The Israeli system, whereby a share is usually valued relative to equity, is worthy of note. This system can be found in public transport co-operatives. The value of the share is high, and the co-operative helps a new member obtain a loan in order to pay the requisite price. The result is that the co-operative re-

lower than the local rate of inflation.

Why is only a limited rate of interest paid on a share? The most common answer is that the limitation is aimed at preventing a situation where the co-operative member will prosper solely from the interest on his investment capital. This explanation which leads to the economic destruction of co-operatives.

Let us take the example of a production co-operative with 50 members. The total investment (equity) required for establishing the co-operative is \$50,000. This does not include operating costs, which will be discussed separately. According to the formula used previously, each member will have to purchase a \$1,000 share. In most countries, this sum is more than a single member can pay, even if the total investment required is a quite realistic (that is, reasonable) figure. A practical solution to this dilemma is to fix the value of each share at a low level, within reach of

the member - in our case, \$100. The remaining \$900 per member will be obtained from external sources, in the form of loan funds. The co-operative will then have two sources of finance for its investment capital. One, minor source, will be financed by its members. The co-operative will pay a low rate of interest on this funding, due to principle and to legislative practice. The second, much larger source, will be financed by external factors, and a high, market rate of interest will be paid on it.

On the one hand, the co-operative does the utmost to ensure that "Heaven Forbid!", the member will not earn on his investment. But on the other hand, it will have to pay out large sums of money in the form of interest on external sources of finance. So we have a situation where it seems to be quite acceptable for the co-operative to help its external financiers get rich, while a member is prohib-

*"While accepting that production co-operatives are an advanced and complex form of organization - desirable for the degree of mobilization they represent, and as a balance to the increasing co-operative weight on the demand side of the economy - it was clear that the workshop would additionally need to consider 'pre-co-operative' formations (community groups, rural industry centres, etc.) on the one hand, and non-production activities, to some extent, on the other. Given the experience in the less-developed economies of the region, it would also be necessary to look carefully at the position of catalyst agencies and the promoters of co-operatives; is, for instance, their class-location a potential problem, or their commitment too mobile and international? "*

*-Murray McCartney on Producer Co-operatives, from a Report on the Workshop held by FEP in Gaborone, 1983*

ceives suitable remuneration for the (real) value of the share. The member, for his part enjoys all the rights of membership, and repays the loan, in an environment where he participates fully. He will be an eager worker, since he will want to earn enough to cover his loan repayments and will therefore want to ensure that the co-operative is run efficiently.

#### The Remuneration of a Share

What remuneration should be provided on the co-operative's share capital? The third international co-operative principle maintains that the co-operative should pay a limited rate of interest on the funds invested by a member in return for a share. In many countries, the maximum rate of interest is regulated by law, and this rate is usually very low. As a result, the interest rate is often negative in real terms, and may be much

ited from earning a fair recompense for his own investment in the co-operative. This is illogical, not to mention incomprehensible.

We will now assume that the third international co-operative principle can be amended as follows: "The co-operative will pay the member a competitive rate of interest on his share." If this were possible, the value of each member's share would come to \$1,000 instead of just \$100. The member would pay as much as he can in cash and the co-operative would obtain the balance from outside sources, on behalf of the member and in his name. The member will then be responsible for repaying the loan obtained for him by the co-operative. Thereafter, the member will do his best to ensure that his circumstances allow him to return the entire loan, on which he will be paying a market rate of interest. At the same time, the co-operative will pay the member a rate of interest on the value of his share, which will be competitive with that offered by commercial saving schemes. As a result, the member will have an incentive to take money from his personal savings and invest it in the co-operative, which will pay him a higher rate of interest than that payed on a savings account.

What good will this do the co-operative? Naturally, the co-operative will be paying interest at a rate higher than that offered on saving schemes. Yet this interest rate is still low when compared with the rates which co-operatives usually pay on loans from commercial banks. So the co-operative will save on its financing expenses. We can therefore claim that a change in the co-operative principle will save the co-operatives a lot of money, providing them with a sounder economic base. But this will not be the only benefit.

Being in a position where his own money is invested in the co-operative, he will be more highly motivated to ensure that the co-operative is run efficiently and profitably. He will not want the co-operative to lose money, and will not want the co-operative's management to spend large sums of money without explaining why, since the money will be his own.



*Another Mekong Delta (Vietnam) producer*

Another reason for adopting this approach is that the member will have an incentive to pay for the full value of his share, since he will be adequately remunerated for so doing, and this remuneration will be competitive with other forms of saving. The co-operative will save money and will itself benefit from the higher level of participation and economic awareness by its members.

Yet another important point is that once a co-operative's members have finished paying for their shares, it will no longer have to pay them interest. The form of interest payment in question, it should be noted, involves taking money from one member's pocket and putting it into another member's pocket. Accordingly, members should only be paid a competitive, market rate of interest on their share capital when it is necessary to encourage members to participate in raising the capital necessary for the co-operative. Clearly, self-financing is the cheapest way of obtaining investment capital for the co-operative.

#### **The Right of Transfer**

Jones (1979) found that one of the main problems which has led to the break-up of production co-operatives is their inability to provide an adequate return on the share capital raised from their members. In many co-operatives, he observes, members' share capital is owned by the co-operative, meaning that the

member cannot get his investment back. When a co-operative is disbanded, Jones points out, the laws of the country in question often stipulate that investment capital is not to be returned to the members. Moreover, if a member leaves a co-operative, he may only be entitled to receive a small amount of the capital which he invested in the co-operative. This is because it is feared that members will want their investment capital returned to them, leading to the break-up of the co-operative.

Another problem encountered by production co-operatives has been the rise in the value of the share over the years, particularly in those case where the share value was relative to the co-operative's assets. This situation prevented new members (either completely new members or hired workers already employed by the co-operative) from joining the co-operative, since the capital outlay involved in joining was too high. In Israel, there were production co-operatives which purchased the shares of members who left, with the result that the value of the remaining members' shares increased, as no new members joined the co-operative in their place (Russel, 1991).

The share in a co-operative should be withdrawable or transferrable. A member who knows that his share cannot be withdrawn or that its real value is depressed, will be increasingly unwilling to invest his own money in the co-operative. A hard and fast decision should therefore be taken to ensure that the real value of the share is maintained, and that the member can withdraw a sum equivalent to the real value of his share if he leaves the co-operative.

The co-operative is faced with a problem if one of its members leaves and wishes to receive a sum equivalent to the value of his share, in cash. This problem can be solved if a decision is taken whereby a member who leaves the co-operative can only receive the cash value of his share when a new member is accepted in his place, injecting funds equivalent to share's real value. Daniel (1989) presents an alternative proposal by suggesting that if the member leaves,

he should receive the cash value of his share linked to the consumer price index. This practice is current in Israeli public transport co-operatives.

### The Co-operative Share - Basic Principles

The share represents the member's relative participation in the ownership of the co-operative. Each member's share should therefore be of equal value. When he joins the co-operative, a member must undertake to purchase no more and no less than a single share. The member must pay the value of his share in cash, either his own cash, or with the balance coming from loan funds obtained by the co-operative for the purpose of investment finance. The balance can also take the form of a grant, if this can be obtained by the co-operative.

ber pays for a share will be equivalent to the amount paid by the co-operative to a member who leaves, in return for his past share in the co-operative. The co-operative may help a new member obtain a loan from the lowest possible source for this purpose.

A co-operative will pay its members interest on their shares, especially during a period when capital is still being raised from the members. The rate of interest will be competitive in comparison with that paid by conventional financial institutions on saving scheme deposits. An attempt should be made to abolish all legislation restricting the amount of interest which the co-operative is allowed to pay in order to raise the capital it requires. The co-operative should endeavour to obtain finance from

with the services in question being of the highest possible quality and at the lowest possible price - or the wages paid to members for working in the co-operative. At this stage, we must recall the different forms of co-operative involvement mentioned earlier in this paper. Firstly, there is the group of co-operatives whose members are its users, as in the case of consumer, saving and credit, insurance and housing co-operatives. The member of this type of co-operative expects to receive remuneration in the form of the particular service which he requires. Secondly, there is the group of co-operatives whose members are not its users, but its workers. These include production, building and transport co-operatives.

The member earns his living from his employment in the co-operative. Here we come to the question of exactly what remuneration the member should receive for working in the co-operative. Another question to be asked is whether the co-operative should be done with these surpluses. In practice, unfortunately, the answers provided to these questions by most co-operatives throughout the world are highly inappropriate.

We can find a number of problems related to this subject. Antoni (1979) maintains that the production co-operative should be profit-making. What does the concept "profit" actually mean, and how are prices to be calculated in the co-operative? The question of the exact nature of surpluses also arises. There does not appear to a uniform school of thought in this field. Cockerton (1980), for example, claims that a co-operative's surpluses are the source from which it remunerates its workers for their labor.

In 1981, two English researchers, Abel and Mahoney also touched on this problem (Abel, 1981). They spoke out against the attempt to measure a co-operative's success by the size of its profit. If a co-operative's profits increase, they note, the potential remuneration to the members, in the form of wages, decreases. In their perception, a co-operative which does not make a profit is not necessarily unprofitable. Rather, its members are being generously recompensed for their labor.

*"Co-operative production faces a number of constraining factors in developing countries, and these need to be confronted by any one seeking to promote co-operatives in the region: there may be a lack of technical and management skills and the motivation for collective effort; subsistence values and strong kinship ties may tend to militate against the maximisation of effort required for effective business enterprise; governments may plan and centrally control co-operatives on the basis of inappropriate and unprogressive models; there may be strong opposition to co-operatives from emerging middle-classes and private farmers; there will, almost certainly, be a shortage of venture capital, particularly on soft terms."*

*-Murray MaCartney at Gaborone in 1983*

Accordingly, the value of the share is the co-operative's total investment capital (equity), divided by the number of its members. The share's real value will always be equivalent to the real value of the co-operative's assets, divided by the number of its members. A new member of the co-operative must undertake to pay the real value of his share. In the case of a production co-operative, whose number of members is limited and which has no intention of increasing their number, a new member will only be accepted if an existing member leaves. The sum which a new mem-

ber pays for a share will never be funded by the co-operative's surpluses. This is a common mistake, originating from legislative provisions on the subject. These legislative provisions should be abolished, since they lead to inequality among members.

### The Co-operative's Financial Results and their Distribution

A person usually joins a co-operative because he expects some kind of remuneration as a result. This remuneration may take the form of services provided,

Wright (1979) discussed the question of income and expenses in the co-operative quite extensively. Apart from thoroughly classifying the co-operative's expenses, he explains that a co-operative's net income can be apportioned both among members and for other purposes as well. But his explanations still do not provide the answers we are seeking.

### What is the Co-operative's Surplus?

The surplus is the difference between a co-operative's total income and total expenditure (Galor, 1988). Why should the co-operative try to make a surplus, that is, a profit? By its nature, the aim of the co-operative is to serve its members in various ways. When the co-operative sets out to make a surplus (profit), it is detracting from the quality of service provided to its members. This is absurd, a point which hardly anyone involved in co-operative theory bothers to discuss. What is more, this absurdity is perpetuated by legislation throughout the world.

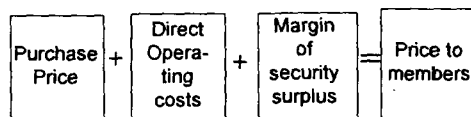
In order to understand the nature of the surplus, we will take the example of the production co-operative. The question is how to determine the price of the product or service provided by the co-operatives to its members. This calculation initially involves purchase price, or the price to the co-operative of supplying the product which it wishes to sell. We must add to this price the co-operative's direct operating expenses. These expenses include transport, costs, wages costs, rent, electricity, water, insurance and financing the co-operative's operating expenses. It is also customary to add indirect expenses, such as interest payments and the repayment of principal on member's cash investment and on loans taken from outside sources in order to finance the establishment of the co-operative.

Although most co-operatives do so, I believe these expenses should not form part of our calculation. As mentioned in the previous section, financing expenses for the establishment of a co-operative should be included in a separate account, which is quite separate from the co-operative's operating expense account. We have here two types of account: (1) Fi-

nance for the establishment of the co-operative, which is entirely at the member's responsibility, with each member being responsible for his relative share of the money raised for the purpose by the co-operative; (2) Finance for the co-operative's operating costs. The latter is also provided by the members, although never on an equal basis, but according to the extent of each member's purchase of services from the co-operative. A member who buys more from his consumer co-operative participates to a large extent in its operating expenses. Now, the surplus must be added to the purchase price and the second component - direct operating costs.

Another question is whether the member should be charged at the market price, thereby creating a large surplus - an error made by most co-operatives throughout the world. The costs to the member can be reduced by taking a small amount of the surplus to cover unexpected expenses (margin of security). The second possibility results in the best possible service to the member, by offering the lowest feasible selling price.

### Price of product or service to members



It should be noted that the first alternative of selling to the member at the market price, and the allocation of the resulting high surplus will not benefit him in any way. The first point we must discuss is the large surplus. The surplus is usually divided up after the end of the financial year. The annual report is often prepared quite late, and has to be submitted for the approval of the annual meeting. On average, members can wait months after the end of the financial year before they receive their share of the surplus. Since developing countries suffer from high levels of inflation, this delay leads to a severe erosion in the real value of the amount which members finally receive. It is difficult to see how the co-

operative renders a service to its members in this way.

The second point to be discussed is the way in which the surplus is used. Co-operatives use surpluses in many ways, but one of their last priorities is to allocate it to the members at the end of the financial year.

Surpluses are used in accordance with international co-operative principles or local co-operative laws. They are used for: additional investment in the co-operative; financing cultural and educational activities; social and community development; financing interest payments on members' shares; and the creation of a reserve fund. All these different uses are very important, but they should not be funded from the surplus. Rather, they should be financed by the members on an equal basis.

What is the surplus? The surplus is a temporary payment made by the member to the co-operative until a final price is determined. When this price is set and there is a balance remaining - the surplus - it must be repaid in its entirety to the members. This is when the final cost of the product or service provided by the co-operative is determined. If the co-operative makes a loss, each member will pay an appropriate share of the amount necessary to cover this loss according to his participation rate. When this happens, what has become of the famous surplus which the founding fathers of the co-operative movement said would be able to finance all of the above-mentioned expenses?

Why should the surplus not be used for any purpose apart from repaying money to the members? We will use the following example to explain why.

We will assume that in a particular consumer co-operative, one member buys ten times as much as another member. If the surplus can be split up into sale units, this member will have paid ten times more for the surplus than his fellow member. If the co-operative decides that half of the surplus will be used to fund investment, the first member's participation in this investment will be ten times greater. (Such investment, it should be noted, is supposed to be fi-

nanced on an equal basis.) Moreover, the investment is not recorded in the member's name, leading to a state of inequality among the members. In the long-term, this injustice leads to a sense of alienation from the co-operative. In Mondragon's co-operatives, where a large proportion of the surplus is used for investment, this investment is recorded in the member's share accounts.

### The Surplus in the Production Co-operative

In production co-operatives, the creation and allocation of a surplus are usually regarded as a positive development. Grosfeld (1976) notes that the allocation of surpluses in Polish production co-operatives fulfils several functions:

Income - an addition to a member's income.

Withdrawal - an incentive to participation in and fidelity to the co-operative.

Saving - allows the member to increase his share capital.

Remuneration - for the effort invested by the member.

In each case, only a limited portion of the surplus is distributed to the members. Grosfeld adds that in Polish co-operatives, it is very difficult to find a suitable medium between the labour invested by each member, the surplus achieved and that part of it which is to be allocated to the members. In fact, the proportion of the surplus allocated to the members is very small. Most of the surplus goes to the state, the co-operative movement, debt repayments, various funds and, only as a last priority, to the members.

The criteria by which the surplus is apportioned among members are: the length of time for which they have worked in the co-operative, the type of work involved and the level of vocational skill required. In most cases, Grosfeld points out, surplus funds are used to repay the principals on the members' shares, and the members enjoy no direct benefit from the surplus.

Any discussion of the surplus in a co-operative whose members are not users of the goods or services supplied by the co-operative, as is the case with production co-operatives, must include the sub-

ject of financial remuneration for the member and, particularly, wages.

There are two main problems associated with the question of remuneration. The first problem concerns the extent of the remuneration in question. Should remuneration be equal or differential, according to the member's skills and performance? Remuneration on an equal basis for all members reduces initiative and motivation (Munkner, 1979). The second problem, also noted by Munkner, is the ratio between what is given to the members in the form of remuneration and the amount which the co-operative should retain for investment purposes. In my opinion, using the surplus for investment is only worthwhile, if any such investment is recorded against the member's share account, in his name. As stated, this factor is a major reason for the success of the Mondragon co-operatives, and has increased member's motivation and willingness to participate in their co-operatives' affairs.

Another problem, faced by production co-operatives in Israel where wages are equal among all members, is related to occupations necessary for the co-operative's existence, but which are not the main occupation practised in the co-operative. Examples are accountants and planning engineers. This problem has been a reason for not accepting such professionals as members. Another problem was how to increase their wages when there was no choice (Russel, 1990).

Israeli production co-operatives have functioned around five basic principles (Harari, 1990):

1. Equal participation in equity.
2. Own labour.
3. Own management.
4. The right to vote and be elected.
5. Wage equality.

The fifth principle has led to a situation where highly accomplished members have left the co-operative, while more mediocre members have remained. So the main problem of Israeli production co-operatives has been calculating suitable remuneration for each member. Should all members be remunerated on an equal basis, or should a differential system be applied? It should be remem-

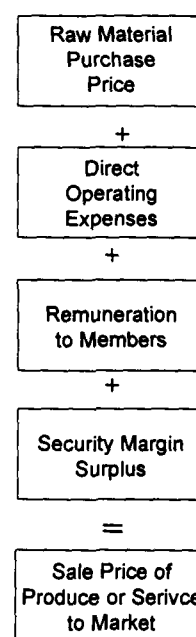
bered that every co-operative's pricing system is based on the simple formula:

$$\text{Purchase price} + \text{Direct Operating Expenses} + \text{Surplus Fund} = \text{Sale price}$$

We have also mentioned that the co-operative's direct operating expenses include wages paid by the co-operative. When we are talking about production co-operatives, this fact allows us to bring member's wages into the equation. If wages are lowered, the size of the surplus fund (reserve) can be increased. If we decide that we only want a small surplus as a reserve against unexpected expenses ("security margin"), we can of course increase the amount of remuneration to the members. The resulting equation used by the production co-operative will therefore differ from that shown in Fig. 2.

Fig. 3

Pricing in the Production Co-operative



To reiterate: if we decrease wages, the surplus remaining will be increased, while if we ignore the surplus, we can remunerate the members directly and more generously for their work.

Mondragon co-ops decided to restrict wages to the level prevailing locally outside the co-operative (in the same industry), in order to increase the surplus (Derrick, 1980B). It should be recalled that the payments made to members from the

surplus are not cash payments, but are invested in the co-operatives and are recorded against the member's share account which can only be withdrawn if he leaves the co-operative.

In France, according to Demoustier's example (1981), 15 percent of the surplus is allocated to a reserve fund, 25 percent to a development fund (for investment in the co-operative) and 60 percent is allocated among the members, on the basis of work hours and seniority in the co-operative.

In the course of discussions held at the Histadrut's Co-operative Center (Harari, 1990), various proposals were raised on how to formulate an appropriate wage formula for co-operative members. One suggestion was that members should receive wages on an equal basis, with surpluses, if there are any, being divided up equally among the members. Members' wages would only differ if overtime hours are worked, or if an increment is due on account of a member's professional know how or management functions.

Another proposal represented an approach favouring a differential system of wages, whereby the co-operative's wage structure will be a graded system the same as that applied in other enterprises operating in the same branch. The remuneration for managerial and other functions will be determined according to the economic benefit obtained by the co-operative. The wage structure will include generous social benefits. Surpluses will be distributed on an equalitarian basis.

The third proposal discussed by the Histadrut, in April 1991, was that members' income should be divided into three components: remuneration for labour, remuneration for investment capital, and remuneration in the form of social benefits ("fringe benefits"). Remuneration for labour will include the appropriate rate of payment for the function in question, overtime hours and the appropriate increment for productivity. Remuneration for investment capital will include the following components:

- Distribution of surpluses (profits) after provision for development fund and

depreciation.

- Monthly remuneration for investment capital.
- Remuneration for own management.
- Remuneration for own labour.
- Remuneration in the form of social benefits, including annual vacation, holiday pay, further study fund, welfare activities for the member's family and pension fund.

Harari, who was the general secretary of the Egged public transport co-operative in Israel, expresses what is more or less the standard procedure in his co-operative. Where he is mistaken, in my opinion, is in including remuneration for investment capital in the direct remuneration system for the member's labour.

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*"What is the surplus? The surplus is a temporary payment made by the member to the co-operative until a final price is determined"*

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If a co-operative uses the portion of its income intended for investment for paying depreciation expenses or remunerating members for their investment (by paying them interest on their shares), without recording these sums against the members' share accounts, it will create a situation of injustice which will increase over the years. This is because a member who has worked more than another member, and has thereby contributed more to the co-operative's income, participates more than the other member in the co-operative's investment activities, without being credited accordingly by the co-operative's accounting system.

Let us take an example of a production co-operative. In order to fully understand the problem, we will assume that our co-operative has only two members. To establish their co-operative and to obtain investment finance, they take out a loan for five years.

Both members work in the co-operative. One member works 50 percent

overtime everyday, for which he is duly paid in his wages. The other member does not wish to work overtime, and makes do with his normal working day. The sales of the co-operative's finished goods reflect the amount of labour invested by its members. If the co-operative repays the loan taken to finance its establishment from its income receipts, we will have a situation where one member pays 50 percent more than the other member for the co-operative's investment capital. When the loan has been paid therefore, it has not been repaid equally by both members.

However, the difference in question has not been recorded in the co-operative's accounts. Moreover, both members continue to work. Now there is no longer any need to repay a loan. The co-operative's disposable income has risen, and with it the members' income. The result is a situation where one member enjoys a higher income on account of the investment financed by the other member.

This situation is unjust and even dangerous. An unjust system of member participation in investment capital has been generated, together with two bodies of equity. One is small, where members have invested directly, and is recorded in their name. The second is large, and not related to the members. As a result, the members are likely to become alienated from their co-operative.

In my opinion, the system of wages and member remuneration should be made completely differentiated from remuneration for investment capital. Investment should be funded by all members on an equal basis, and without any relation to the co-operative's income system. We can create a system of remuneration whereby members can be paid their wages, and they will also be given a greater incentive to participating in the co-operative's activities.

On two occasions, Daniel (1986 and 1989), also tried to deal with the question of wages and the use of surpluses, deciding that wages should be based on the scale used in enterprises working in the same branch. He said that wages should be linked to changes mentioned

in collective agreements. The worker will be paid according to his professional status (scale) and according to the number of hours which he works.

Daniel's proposal differentiates between the worker and his wages, and his enterprise's business results, and fails to provide any incentive for working harder and earning more. But like Harari, Daniel claims that the member's wages should include a component of remuneration for participation in the co-operative's equity. In my opinion, Daniel is mistaken in this respect, for a member should not be remunerated for his investment via his wages.

With respect to the co-operative's surplus, Daniel claims that the member's wages should be based on the average for the branch in question. If the co-operative is run properly, it will be profitable, and so the surpluses which it can distribute at the end of the year will be larger. Daniel suggests that these surpluses should be distributed to the members at the end of the financial year.

We have already shown quite clearly that the policy of aiming at a surplus and only distributing it at the end of the year, is very harmful for the members, especially in countries where there is a high rate of inflation. The member's income is kept at a low level for an unjustifiably long period, and its real value is also reduced.

Why should the co-operative harm its members by paying them their portion of the surplus only after a long period of time, instead of paying them as quickly as possible? Neither Daniel nor any other researcher has answered this question. Daniel suggests that the surplus should be divided into a number of components:

1. 10 percent for a cultural fund.
2. 30 percent for a reserve fund.
3. 30 percent for remunerating members for their investment in the co-operative.
4. 30 percent for remunerating members according to amount of work they perform for the co-operative.

In my opinion, none of these allocations should be made from the surplus. Daniel repeats a mistake which is very

common among co-operative specialists, and I hope my paper will serve to correct this mistake.

#### Basic Principles Relating to the Surplus

The surplus is the difference between a co-operative's total income and total expenses. The surplus, or profit, should

*"The surplus represents a 'security margin' component of its accounting policy, and which should be applied with respect to the members or the market to prevent the co-operative from losing money."*

not be the co-operative's final objective, but only a means to an end. The surplus represents a "security margin" component of its accounting policy, and which should be applied with respect to the members or the market to prevent the co-operative from losing money. When the co-operative's business results are certain, and there is no need to wait until the end of the year, we must repay the entire surplus to the members, relative to the extent of their participation in the co-operative. This rule should apply to all co-operatives.

In the production co-operative, the surplus should be repaid according to each member's contribution to the co-operative's production system.

The surplus is a temporary fund paid by the members, until a price is determined, at which stage the surplus can be repaid.

All surplus must be repaid to the members. The surplus must not be used for such purposes as investment, since this will lead to inequality among members.

We must remember that investment, the reserve fund, community development, co-operative education and interest on share capital should be financed by the members on an equal basis, and should not be funded from the surplus.

#### Participation and Management in the Production Co-operative

The question of the member, membership and participation in the co-operative is extremely important. The co-operative exists as a result of its members' efforts. The members should take an active role in the running of the co-operative. We must bear in mind the distinction previously made between the two groups of co-operatives. One group consists of consumer, credit and saving, and housing co-operatives. In these co-operatives, the members are the users, and there is no real restriction on the number of members.

The second group consists of production, transport and construction co-operatives, where the members are not the users, and the number of members is restricted. The number of members who can be admitted to the co-operative usually depends on the number of work places available.

One of the basic principles of the co-operative is the democratic participation of all the members in its management. All the members are equal with respect to voting rights and the right to be elected onto the co-operative's management body. Participation in the co-operative means not only democratic management, but also active participation in the co-operative's affairs. In the consumer co-operative, the more the member purchases, the more he participates.

The production co-operative has an additional feature, that is, a hierarchical structure which is characteristic of every manufacturing organization. A structure of this type includes simple workers at one end of the hierarchy, and managers at the other end. In between them is a pyramid-like structure of intermediaries who carry out the instructions of the managers. In the production co-operative, there are member-workers who carry out the instructions of their supervisors, but all the members, simple workers and supervisors, have the same rights. This situation is a potential source of conflict (Munkner, 1979).

The production co-operative is always faced with a situation where it has to maintain a compromise between the two

opposing elements of its hierarchical structure. Munkner attempts to define the features of production co-operative membership. Firstly, production co-operatives are a place where the member finds work and a source of income.

The number of members will therefore be determined according to the number of work places which the co-operative can provide. This leads to another serious problem: the relationship between members and hired workers. A real production co-operative does not employ hired workers. But in boom periods, when the co-operative has to fulfil big orders, it needs to hire additional labour.

In recession periods by contrast, the co-operative is inflexible from the employment aspect. It is unable to dismiss members, although from the purely economic viewpoint, it has to. Moreover, veteran members have no desire to take on hired workers as members, even when the co-operative's economic future is assured. They have no wish to divide up the cake among a large number of people.

What are the features of production co-operative membership? Louis (1983) provides an answer. Members must form themselves into a co-operative by their own free will. It is important that they should be the type of people who can work independently. They should be business-minded. They should have the same occupation. They should be well motivated and have management skills. Particularly important is their ability to cooperate with each other.

In my opinion, another important feature, which is usually ignored, needs to be added to this list. Contrary to widely held theory, a good co-operative member should be egoistic.

One of the most prominent characteristics of the human race is the predisposition to caring for oneself. A person who is capable of supplying all of his needs by himself is not going to join a production co-operative of his own free will. If a person can obtain a loan from a cheaper source, he is not going to turn to a credit co-operative. Someone who can get a better price for his goods elsewhere, is

not going to join a marketing co-operative. A person joins a co-operative when he realizes that he is not going to be able to get what he wants by himself. Only then will he join a co-operative and be willing to work together with others, in order to obtain what he needs. He will be ready to forego his independence to some extent.

Together with others, who like him are prepared to be less egoistic, he will try to obtain for himself, whatever it was that he could not obtain when he was by himself and independent.

***"The co-operative must ensure that management is effected by those professionally qualified to do so, and should, if necessary, hire an outside manager."***

Antoni (1961) sees matters in a different light. Firstly, a member should have the right of joint ownership in the co-operative, as a result of the share which he has purchased. Secondly, he should have the right to participate in the democratic management process. The member should be able to vote and to be elected to the co-operative's management body. The members should have another right, that of sharing in the enterprise's business expenses on an equal basis with the other members.

The most important right of all, naturally, is the right to work, the right to be employed in the co-operative.

Rozolio (1990B) discusses the member's right to participate in the democratic management process, focusing on the experience of large co-operatives. The democratic process is not properly applied in such co-operatives, it transpires. While a pretense of representative democracy is observed, the direct connection between the member and the management body has been broken.

Rozolio suggests that production co-operatives should be of a size which will enable their members to apply direct democracy. Accordingly, he believes

that co-operatives should be small, thereby keeping the gap between different occupational groups to a minimum. Hired labor is opposed to the spirit of direct democracy and member participation.

Rozolio (1990A) continues his analysis by presenting a number of alternatives. The first is a co-operative whose members are its workers as well as the owners. The second alternative is a co-operative whose members' work, but are not the owners. A third alternative is a co-operative whose members are its owners, and where some members work in it and other do not. A fourth possibility is a co-operative whose members are its owners and who work in it, while the co-operative also employs hired workers.

As a way of comparing a private with a co-operative enterprise, Rozolio shows that in a private enterprise, ownership, control and management are effected by the owners of the enterprise, and the work is performed by hired labour. In the co-operative, or at least in the classical model of a co-operative, ownership, control, management and labour are in the hands of the members.

Sometimes, however, hired workers also share in the ownership of a private enterprise. In a private enterprise, management functions are performed by those appointed by the owners, although the workers sometimes participate in management. In a private enterprise, the work is performed by hired labour.

In a co-operative enterprise by contrast, ownership and control are in the hands of the members. Management is effected by the members, but also by hired workers. Work is carried out by the members as well as by hired labour. Rozolio does not pretend that this situation portrays two different methods, but claims that they are simply differing forms of ownership, control, management and work. Here we have a situation where there is a connection between two opposites.

On the one hand, there is a collective economy with full collective ownership, while on the other hand, there are private enterprises with a complete lack of



co-operation. Most of the enterprises with which we are acquainted lie somewhere in between these two opposites.

Cornforth (1981) also discusses the conflict between direct democracy and the managerial hierarchy, noting that ever since British production co-operatives were criticized by the Webb couple, there have not received any great encouragement from the British labour movement.

In French production co-operatives, by contrast, membership is not restricted to those working in the co-operative. The sole restriction is that two thirds of the co-operative's management body must be from among those members who actually work in the co-operative.

In Mondragon co-operatives, the opposite is true, and all those working in the co-operative have to be members. (Jones, 1979). Derrick (1980B) also mentions the total identity between membership and work in Mondragon co-operatives.

The number of members in a co-operative is an important factor. In the Niort carpenters co-operative, as described by Demoustier (1981), the number of members during its early years was small, resulting in its temporary closure during the 1950s. By 1977, however, the number of members had grown to 270, and the co-operative's financial position had improved greatly. But at the same time, the co-operative employed an additional, 100 hired workers.

#### **Management of the Production Co-operative**

Wright (1979) outlines a number of principles relating to the management of the production co-operative. Firstly, each member who works in the enterprise is also a manager. This suggests that the workers actually hire the managers. The co-operative thereby institutionalizes the control of the workers over management activity.

The management of the co-operative is based on democratic principles, and the delegation of authority (Laville, 1987). The highest authority is the members' general meeting, which delegates authority to the management committee,

who are members of the co-operative. This committee in turn delegates its authority to the manager of the co-operative, who is engaged in day-to-day management activity. This system of delegating authority leads to problems, especially when the manager or managers accumulate authority in their own right, and weaken the authority of the general meeting.

*"The remuneration of management by results can be very suitable for co-operatives and can contribute to their success. The manager of the co-operative should be paid according to the business results which he brings to the co-operative. This policy will result in a situation where the manager's earnings will be high while, by acting as a good manager he will bring better results to the co-operative's members." (Galor, 1989B).*

In France, the general meeting has in many cases become a rubber-stamp body, approving decisions which have already been taken and sometimes even implemented by the managers. One example is where, over many years, the president of the co-operative acquired extensive authority. When he retired, he tried to force the general meeting to appoint his heir-designate in his place. The general meeting refused, and appointed someone else.

In another French production co-operative, an investment was approved by the managers alone, and failed. In this case, the general meeting took away all of the management's powers.

Two types of management can be identified. One is the co-operative democracy model, and the other is the

autogestion ("own management") model, where an enterprise is run by its workers or their appointees. The Yugoslavian model is one of autogestion (Derrick, 1980A). We should remember, however, that not every factory where autogestion is practised is a co-operative, and certainly not a production co-operative.

Who should be manager of the co-operative? Most co-operatives tend to elect one of the members as manager. This is a good thing in principle, since no one knows the enterprise and those working in it like a member of the co-operative. In practice, however, management is a profession like any other. A production co-operative will train its members in the various skills related to the production of its goods. The co-operative must ensure that management is effected by those professionally qualified to do so, and should, if necessary, hire an outside manager.

One of the main problems of the co-operative is the manager's wage. In many co-operatives, particularly those where managers are members, there is a tendency to pay managers a low wage. Antoni (1979) recommends paying the managers a wage high enough to act as an incentive for good management, for the benefit of the co-operative.

The remuneration of management by results can be very suitable for co-operatives and can contribute to their success. The manager of the co-operative should be paid according to the business results which he brings to the co-operative. This policy will result in a situation where the manager's earnings will be high while, by acting as a good manager he will bring better results to the co-operative's members (Galor, 1989B).

A good example of the application of this approach to management is provided by a Nigerian artisanal co-operative. The co-operative in question, in the eastern part of Nigeria, produces sculptures and woodwork. The co-operative was established after World War II, during the colonial period (Ijere, 1976). Every member of the co-operative works in his own home. The co-operative deals with credit, the supply of raw materials and,

particularly, marketing. The price which the member obtains for his work is determined according to the size of the sculpture, the sophistication of the work involved and the amount of work necessary to produce the finished object. The manager of the co-operative, who is responsible for sales, obtains a percentage of the sale price, instead of a salary. The co-operative therefore has a manager who has an interest in increasing the sale of sculptures, since he will earn more as a result, while also increasing the members' earnings.

At this stage, it should be recalled that in Mondragon co-operatives, there is a very small differential between the wages of ordinary workers and managers. The ratio in question is 1:3 and only in rare cases is it higher (Derrick, 1982A). The manager's remuneration is not monetary but in moral values, and connected to other consideration of motivation and benefit (Garcia, 1970). This system which has operated successfully for years, is now undergoing a degree of change.

Managers' wages now appear to have risen and the differential has grown as a result of pressure from managers to be more substantively remunerated for their work. Today, the differential is in the region of 1:6 (Rosner, 1990).

### Production Co-operatives throughout the world

Production co-operatives exist throughout the world in a number of countries with varying degrees of success. This chapter will survey these co-operatives and examine their special characteristics.

#### Co-operatives in Mondragon

The founder of co-operatives in Mondragon was a Spanish Basque priest by the name of Jose Maria Arizmendi-Arrieta. His first act was the setting-up of a vocational high-school. The graduates of this school were the founders of the first production co-operative in 1955. The second important act by them was the setting up of their own bank (Servy, 1982). In the 1980's, the Mondragon group comprised 137 co-operatives of various kinds:

- 76 manufacturing industrial co-operatives.
- 5 agricultural co-operatives.
- 1 consumer co-operative with 45 branches.
- 14 construction co-operatives.
- 36 teaching co-operatives.
- 5 co-operatives for various services including a co-operative bank.



*Management of producers co-operatives in Tsuruoka (Japan) discussing production strategies*

The major part of the industrial production is in the areas of various metal works, iron and casting works, the manufacture of tools and implements the construction of tools for road paving works, construction, assemblies for buses, electrical appliances, small machinery, wood, plastics and rubber.

Each co-operative is a separate and distinct legal entity, particularly for purposes of profit and loss of accounting. The member bears the liability in the event of a loss, and take the benefit if there is a profit. The central bank is the financial arm of each co-operative. The bank fulfils the role of financier, promotes new industries, is the financial and economic controller, and finances vocational and managerial instruction.

Why do the co-operatives of Mondragon succeed? A number of factors account for this.

The first cause is the tradition of industrial development (Garcia, 1970). The Basque area in North Spain has been known for its history of industrial development since the 19th century. In addition to this, there is also the tradition of the religious/social element which is always present and gives guidance, and constitutes also the explanation for the enthusiastic enterprise for setting-up of factories. In addition, the elements of a desire to work in one's own factory may also be seen. Thus we may see that when a young person finishes his vocational training, he seeks, together with friends of his own age, to set up a new manufac-

cturing factory. The second factor is youth. The members of the co-operative in Mondragon are relatively young. Each year, one thousand young people complete vocational schools, and join the reservoir of work in existing and new co-operatives.

The slogan of the first vocational high school set up by Don Jose Maria, the founder, was devised by Garcia:

"Knowledge is power, socialization of knowledge means democratization of power."

The vocational school does not teach co-operative studies, but puts cooperation into action. It is organised on a co-operative basis. The teachers are organized in co-operatives, the students work each day four hours in various workshops. Their income is divided between covering the study costs to cover their living expenses, and the remainder goes towards a special fund to finance the investments necessary in the future.

The third element is participation. Participation in Mondragon is expressed not in a direct democracy, neither by way of a democracy of self-management, but, according to Garcia, in a presidential democracy. The democratic character of co-operatives in Mondragon, as per Survey on the subject (Survey 1982) is that the member has the right to criticize and supervise, but never has the direct right to manage.

The next element characterizing the co-operative in Mondragon is inter-co-operative participation. We find a struc-

ture at the base of which manufacturing industrial co-operatives exist, and from them, the financial/banking structure has grown, as have the consumer sector, fishing sector, agricultural sector and the cultural/educational sector.

The last element is the factor of creation of capital, which is peculiar to co-operatives in Mondragon. This is a set-up which strives towards savings of its members and channels them towards creative investments. It is worthwhile remembering that in the survey which was undertaken, it became clear that the co-operatives of Mondragon attained economic results which were superior to parallel private companies in Spain (Derrick, 1982A).

The reward of each member depends on the commercial results of his co-operatives and thus, in the effort which he contributes to the success of the co-operatives. The member receives a monthly advance on account of his wages, and at the end of the year, he receives a part of the surplus due to him directly (Saive, 1982 as also see: Desroche, 1988 - and Kaplan 1982).

Two central factors explain the power of co-operatives in Mondragon. One is the Central Bank of the Group and the second is the Special Educational set up which exists there (Ornelas 1982). Approximately 30 schools exist which are co-operatives of teachers. Mondragon has three study streams:

- a) A qualified worker - two years technical studies following eight years of study at the primary school.
- b) Qualified technician - two-three years of study for those having matriculation or the title of qualified worker.
- c) Engineer - two years of study for those having the degree of technician of three years for those having matriculation.

#### Production co-operatives in France

In 1976 - there were, in France, 600 production co-operatives with 35,000 employees (REC 1977). In the 30 years following the Second World War, the product of production co-operatives in France have increased two-fold more than the total of French industry. In 1977,

there were in France 8,000 production co-operatives, which employed more than 800,000 workers (Defourny 1988).

In the building sector, production co-operatives attain the average of the sectorial industries and offer members a high wage. Defourny also found the following:

- a) The average manufacturing co-operative employs a greater number of employees than the average capitalist factory in the same branch.
- b) The co-operative has a relatively small proportion of capital vis-a-vis employee and thus, its capital is exploited more intensely than the sectorial average.
- c) The manufacturing co-operative devotes a greater part of its added value to reward for work. The salaries exceed the sectorial average and, in addition, the distribution of the surpluses increase the overall consideration to the employee.
- d) Defourny found also that the profitability of the production, profitability of the active side of the business and of the co-operative fund, was equal to or exceeds those of parallel capitalist factories.

Against the above impressive data, Regis thinks that the central problem of production co-operatives in France is growth and expansion (Regis 1986). In addition, he points out the problem of members as against salaried employees. The writer foresaw that in the seven years which preceded his research, the number of members, out of the total employees in the co-operative, exceeded from 40 percent to 60 percent.

Researches carried out in France which examine how it is possible to set-up a manufacturing co-operative, are many. (Richard, 1982) speaks about three elements, the first factor being the personal one of the member. This includes his origin, the surroundings in which he lives, and his training and education.

The next element is the relationship surrounding the member, his family, his friends, the relationships with those who work with him. The last polarity is the

professional factor. This includes all the professional information acquired by the member over his life. It includes his technical know-how, knowledge of the market, and knowledge of the operation and organization of the factory.

Celier (Celier 1982) attempts to compare the qualities of the Japanese industrial factory, which are the reasons for its success, with the co-operative. He argues that in Japan, elements as important as life-long employment, rotation of manpower in various functions, extremely slow advancement in which the element of seniority is extremely important, responsibility towards the group, are elements which also exist in the manufacturing co-operative existing in France.

A serious problem in the French production co-operative is the employees. Most of the employees, approximately 45 percent of the total workforce, are to be found in industrial co-operative factories and in construction plants. In service co-operatives, there are only approximately 15 percent hired employees (Mahiou 1986). Mahiou gives an interesting description of a manufacturing co-operative, which owes its success to the special and positive relations which it had with the community surrounding it, as shown by the researcher Mahiou, who interviewed the president of the co-operative (Durand 1987).

An additional way for creating small production co-operatives which are called PMI - Petites et Moyennes Industries, is by setting up a central financing co-operative (Alain, 1986). We describe a group of production co-operatives which was set up in the Isere region in France, and the number of which has risen over ten years and has now reached two hundred.

In Portugal, a great number of production co-operatives exist (Maroutian 1979). It appears that most of these are agricultural co-operatives, such as societies for veterinary insurance, agricultural credit societies, co-operative vineyards, and manufacturing agricultural co-operatives. In Spain, production co-operatives exist not only in the Mondragon region. In the Andalusia region the pace of the increase of produc-

tion co-operatives is double that of the rest of Spain, excluding Mondragon. Production co-operatives constituted a factor for the increase of employment, particularly when at the same time most of the businesses were cutting-down the number of their employees (Haubert 1985).

The researcher Granges (Granges, 1980) prefers a description of production co-operatives in Morocco. They are based on artisan works which developed in a traditional manner. At the beginning of the 20th century, there were in the city of Fez more than 100 different professions of artisans, who were organized in corporations, depending on the types of their employment. The Moroccan government began, in 1948, a program to develop production co-operatives in the basis of those corporations of artisans.

In India, where industrial co-operatives are highly developed, they reached the correct conclusion that village areas are to be developed and their residents supplied with employment. The concept is that in all traditional labour, village industries and the informal sector, a relatively low investment ration exists and, therefore, it is possible to supply employment to a larger number of people (Tamini, 1981).

The artisans in the village regions in India are extremely poor. In 1971, the value of the equipment of the average artisan was worth U.S. \$50. Their productivity was also very low and the wages for their work low also. They were dependent completely on the local merchant when it came to matters of credit, inputs and marketing. The artisan was exploited to the extreme and his daily income was between 50 to 70 American Cents. In order to help him, it was necessary to set up an independent system which would provide him, at reasonable prices, with the following services.

*Economic:* full credit, raw materials at proper prices, in quantities and at the right time, reliable and proper marketing, ensuring payment on time.

*Technical services:* a means to enhance the production system, improved tools, improved design, professional training, packaging, accounting.

*Social:* education and adjustment to a modern industrial social system.

In the countries of the third world, there are a number of success stories of production co-operatives.

We know that in Nigeria, the success story of co-operatives for wood-sculpture in Amawbia-Awka (Ijere 1976). The co-operative was founded as far back as the colonial period. It is to be found on the main highway between two district cities where it also markets its produce by its members who are the sculptors.

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***"The production plan must include a programme for a cash flow to the co-operative on an annual and monthly basis."***

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Another example for the successful co-operative is the Mera co-operative in Rwanda (Mondini, 1973). This is a co-operative for mechanical and electronic works. It was founded in 1965. The first members were graduates of the technical vocational school in Rwanda. Behind the co-operative was an expert entrepreneur who pushed forward the gave directions, and helped in setting up and finding the necessary financing.

#### **Production co-operatives in Israel**

The characteristics of production co-operatives in Israel are:

- a) Each member has one share. The value thereof is expressed as a relative share of the member in the property of the co-operative.
- b) The wage in most of the co-operatives is equal and does not express the status or contribution to work of the member.
- c) There is no practical prohibition against the employment of hired employees.
- d) The Workers Economy (Hevrat Ha'ovdim) of Histadrut has a right to control but has no right of ownership.
- e) In the event of a winding-up, the property is divided amongst the members (Daniel, 1986).

At the end of the twenties, the Histadrut set up the co-operative centre as a secondary society.

It was worthwhile at that time for production co-operatives to join the co-operative centre on account of the services which it provided, such as book keeping for members, arbitrations, management of pension funds, organisation and purchase of raw materials and technological assistance (Russel, 1990).

The co-operative centre did not successfully learn, however, to cope with the dominant problems of the production co-operatives in Israel such as: hired employment, assistance in financing at the proper price, assuring the supervision of the workers' Economy, management difficulties, and coming to terms with technological challenges (Daniel, 1989).

In December 1988, Israel had 75 production, service and transport co-operatives. In total, 16,500 employed persons worked in them. These co-operatives had two features (Russel 1990), and these should have, in practice, helped their success:

- a) A co-operative population having a relatively long history throughout the 20th century.
- b) From the twenties, the co-operatives worked as a part of a federation having a centre, which on the face of it, supported and assisted in a varied way.

The conclusions reached by Russel were that the central federal structure of the co-operative centre and the Histadrut did not help the co-operatives but on the contrary, caused harm and exacerbated problems.

Today, 40 percent of co-operatives do not have enough members (the statutory minimum). The number of hired employees comes to 55 percent on average of the employees, and there are co-operatives in which the number of hired employees reaches 85 percent of the employees.

We have attempted up to here, to describe a number of features of production co-operatives in Israel and not their history.

### The Production Co-operative as a Tool for Development

The subject of how to set up a production co-operative has been largely dealt with in professional literature. There are various approaches to the subject and there are many manuals, books and articles which deal with this, and which base themselves on experience of very many countries. There is a single thread which passes through the length and breadth of all the various approaches towards the production co-operative and this is their relationship to a single-purpose co-operative, but this is not the case. There is no single-purpose production co-operative. Such a creature does not exist. All production co-operatives, wherever they are, consist of additional functions, amongst which there are the most basic, such as, the supply of credit, the supply of inputs and marketing and additional functions such as processing, storage, transportation and more. When we set up a production co-operative, we must relate to all these functions and we cannot ignore them.

#### Production

When we set up a production co-operative we begin naturally with its members. The first factor is naturally the members and their professional training. Members of the co-operative must know the profession which they intend to engage in well. For this purpose, we must train them. From this it follows that we arrive at the first function, which is education and professional training. The successful example of the co-operatives in Mondragon, proved to us the importance of training and professional education, both as regards the profession which was sought, as well as with respect to the substance of the co-operative of the factory which we wished to set up.

Production in the co-operative factory is based not only on education and appropriate training programmes, but also on a proper production plan.

The production co-operatives are divided into two central categories: one - in which all the members work together, and the other, where each member works and produces himself. In both cases, we

must prepare an appropriate production plan, which would take into account factors such as what is the manufactured product, what are the inputs necessary for its production, what is the quantity of annual working days available, pricing of the production, necessary start-up investments, so that we may be able to be capable of production. We need to use techniques of production planning, and production economics in order to assist members to reach the optimum results.

So that the production can attain its objectives and succeed, we must personally put into practice for everyone the education and training of members, and also use techniques of production planning and production economics - all this together with the process of setting up the co-operative.

#### Credit

To purchase one needs credit, for credit there is a price. A co-operative needs a programme for the supply of credit. The plan for supplying the credit should be based on the co-operative's production plan. The credit programme includes two elements. One is the credit necessary for the investments in the co-operative, and this credit is intended to supplement the amounts, which the members are capable of raising themselves.

It is worthwhile remembering that generally, credit sources are scarce and the price of credit is high. The co-operative must seek the cheapest credit sources for it, not only from financial institutions but also from unusual sources such as members themselves (those who have already paid the total value of their shares), as well as among those members of the community who are not members of the co-operative. It is absolutely clear that raising money in such a way, is cheaper than through a bank, since the co-operative can offer private lenders interest at a higher rate than that they could have received if they deposit their money in a bank, but this rate would still be lower than the rate which banks would have taken on loans. The second element of the credit programme is intended to finance the operating expenses of the co-operative. The production plan must in-

clude a programme for a cash flow to the co-operative on an annual and monthly basis.

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*'Production in the co-operative factory is based not only on education and appropriate training programmes, but also on a proper production plan.'*

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This element will provide us with a precise picture for the amount of credit we need at each stage of the production plan throughout the year. The price of this credit, which is a part of the direct production expenses, is imposed upon all the members of the co-operative according to the measure of their participation in the businesses of the co-operative and this when we are talking about a regular co-operative. In the event of a production co-operative, these expenses are to be joined to the price of the production of each product, and in this, there are also included the financial price for the work of the member.

The credit sources in many countries are expensive and relatively scarce and difficult to obtain. In many countries, borrowers obtain moneys through lenders at usurious interest, as they have no access to commercial credit institutions of the country. This credit, particularly in traditional rural areas, is extremely expensive. For example, in the Philippines, it is customary for the borrower to repay the lender for each five sacks of rice he receives, six sacks. When you ask one of the peasants what is the rate of interest he pays, his answer would be 20 percent. This answer is not precise, since the rice is returned immediately at the end of the season after the harvest, that is to say, after three or four months. It is clear that the true rate of interest on an annual basis, exceeds 100 percent and the price to the manufacturer is extremely high.

The significance of cheap and available sources of credit for manufacturers is extremely great. It is important to mention that co-operatives for credit and saving exist in many countries throughout

the world. These co-operatives collect each year deposits from members in extremely large amounts. These amounts are deposited in commercial banks, or in banks of the State, whether by reason of existing legislation or on account of a mistaken policy adopted by the World Organization of Credit Co-operatives.

Credit co-operatives can in practice constitute an excellent source of cheap and available credit intended for production aims and are a substantial help for development of those countries where the proper policy is embarked upon (Galor 1989B).

We must remember that the framework for preparing a credit programme for a co-operative must include always the element of education and professional training for members.

#### Supply of Inputs

In order to accomplish the production plans we prepared, we must purchase the various input which are required. The inputs include raw materials, spare parts, wages, tools which wear out and cannot be defined as investment, and everything necessary in order to operate the manufacturing set-up whether by the members themselves or in a joint enterprise.

The price of input is an extremely important factor in the final pricing of the product which we want to market. It is clear that we will seek to purchase the inputs from a most reliable source, and which is at the same time, the cheapest possible for us. In traditional systems, inputs are purchased generally through a local merchant. Naturally the prices are extremely high, and do not benefit the members of the co-operative. In many cases, the merchant who sells the inputs is also a lender for interest. Accordingly, it is much easier for him to dictate prices, which are not for the benefit of the co-operative at all.

The co-operative must prepare an annual plan for the supply of various inputs and which would include details on a monthly level, and, if necessary, also on a weekly level. The plan must include the transportation element and the cheapest sources of supply for each item out of the total inputs. A professional training programme on the subject of supply

of inputs must be given to all the members of the co-operatives and at the same time a special training programme for all those who amongst the members of the co-operatives will be dealing with the management of the supply of the inputs.

#### Marketing

Marketing of the produce of the co-operative - is an integral part of the duties which it undertakes. The marketing includes two main substantive factors. One is the possibility of marketing all the produce for the highest possible price.

*"The marketing includes two main substantive factors. One is the possibility of marketing all the produce for the highest possible price. The other is the possibility of reaching a cash flow which would allow the co-operative to repay a loan which it receives and the payments due to members."*

The other is the possibility of reaching a cash flow which would allow the co-operative to repay a loan which it receives and the payments due to members. Marketing is a body of knowledge unto itself. Marketing is a profession. A co-operative which wishes to succeed must understand this fact. The co-operative must appoint a person to be professionally in charge of the matter of marketing and which would bring the co-operative the highest possible price.

In the traditional set-up, marketing is something controlled by the traditional broker (the middleman).

In many cases, this middleman is also the person who lends money at interest to manufacturers, and also the merchant who sells them the inputs. The middleman always looks to pay the manufacturer or the artisan or the co-operative the lowest price for his produce. In this method naturally, the manufacturer and the co-operative always lose (Galor 1989C).

The co-operative must prepare a proper marketing plan which would take into account the monthly and annual production plan as also elements such as storage, packaging, processing the produce, a trade name, transportation, the financing element of the marketing system and its sources. The members of the co-operative must each study this plan in a general training programme whilst those in charge of marketing must study at a deeper level.

#### The Essential Triangle of Production

From the above description, we reach a situation in which we have a triangle which encompasses the production set-up. Each of the sides of the triangle has one function out of those mentioned above: one is the supply of credit; the second is the supply of inputs and the third is marketing.

In the traditional situation, the functions of production are carried out by the artisan, or by the peasant, whilst the three functions comprising the triangle, namely credit, inputs and marketing, are carried out by outside factors. Credit - by the lender at interest, inputs by the merchant and marketing by the middleman. Each of these three factors pulls in its own direction attempting to make a profit as far as possible at the expense of the manufacturer. The lender at interest attempts to collect the highest rate of interest. The merchant dictates the highest price possible for inputs. The middleman pays the lowest prices for the produce. All of them are happy apart from the manufacturer.

A possible solution is the set up of a production co-operative. At its base, would be found the production function and this would also include the credit, inputs and marketing functions.

Experience of many countries shows that many production co-operatives which have been set up within the framework of international development projects have failed.

One of the central reasons was that these co-operatives did not include the necessary triangle elements of production, or included only some of them. We know of cases in which the co-operative included the element of supply of cred-

its and inputs, but did not include marketing. There were cases in which co-operatives included marketing but did not give appropriate attention to credit and the supply of inputs. The result which was obtained was that the triangle was not closed.

It is a golden rule for the success of a production co-operative that the necessary triangle of production should be closed on all sides particularly in that part which connects between marketing and credit. The co-operative which markets

*"It is a golden rule for the success of a production co-operative that the necessary triangle of production should be closed on all sides particularly in that part which connects between marketing and credit."*

its products when the section of the triangle which connects marketing and credit is closed, is capable of repaying the loans which it receives.

#### Conclusion

The production co-operative is a possible solution for development problems of most of the Third World countries. Until now, the history of setting-up co-operatives in general and production co-operatives in particular, in countries of the Third World has not revealed many successes. One of the central reasons for the failures was that in most of the cases all type of things were set up which were called co-operatives but very few of them set up a true co-operative, a co-operative which was intended to serve its members and which operated according to rules and principles such as those set out in this article.

The conclusion reached by this article is that if production co-operatives are set up on the basis of the principles and rules demonstrated above, they would be capable of being an important, efficient solution and would contribute towards the development of substantial sections of the population in Third World countries. □

## Housing Co-ops in India at the Crossroads

Mr. M.L.Khurana

### National Housing Policy

Taking into consideration the acute shortage of housing in the country, the Government of India have approved the National Housing Policy, in which the housing co-operatives have been assigned a vital role to solve the problem of housing in the country. The policy document about housing co-operatives says as follows:

- \* The co-operative housing movement, especially for lower and middle income groups, will be given assured access to institutional finance to supplement internal resources.
- \* The housing co-operatives will be encouraged to take up various shelter related activities, especially for the slum dwellers and the rural poor, assisted through preferential allotment of land, access to finance and fiscal support.
- \* Enactment of separate chapter in the present co-operative laws on co-operative housing activity, in order to streamline their operations and to remove existing constraints.

It will be seen from the above that the Government of India is envisaging a

larger role for housing co-operatives. On account of that, the housing co-operatives will have to shoulder a heavy responsibility for providing shelter to needy people. This will be the main item of discussion at the Congress.

### Finance

Apex co-operative housing federations obtain loans from various financial institutions for lending to their member housing co-operatives for construction of dwelling units for their members. Upto 31st March, 1995, the apex federations borrowed a sum of Rs.3,322.6 crores from LIC, HUDCO, National Housing Bank, Co-operative Banks, etc. and disbursed Rs.3,405.8 crores to the housing co-operatives.

Since the housing co-operatives have been assigned an important role in the National Housing Policy, and due to that they will have to undertake the housing construction programme on a large scale, the Planning Commission would be requested to make a provision of Rs.3,000 crores in the 9th Five-Year Plan for the co-operative housing sector. The LIC, HUDCO and National Housing Bank would also be asked to provide

more finances to the housing co-operatives to fulfil the objective of the National Housing Policy to provide affordable shelters to the economically weaker sections of the society.

### Land

The housing co-operatives are also facing problems to get land on cheaper rates for construction of



Co-op housing is popular in Sweden. Co-op Housing complex at Vasbyskogen



*Exhibition on Housing Co-ops at New Century House, Manchester during ICA Centennial Congress, Sept., 1995*

dwelling units for their members. Taking it into consideration, the state governments were requested to provide 30% of the acquired land to the housing co-operatives at cheaper rates and on priority basis. In response to that, the state governments of Madhya Pradesh and Delhi have decided to provide 30% and 40% respectively of the acquired land to the housing co-operatives functioning in their states. The state governments of Orissa, Pondicherry and West Bengal have also agreed in principle to provide land to their housing co-operatives. The remaining state governments will be asked to allot at least 30% of the acquired land to the housing co-operatives.

#### **Low cost technology**

Most of the members of the housing co-operatives belong to economically weaker sections (EWS), low income and middle income groups. Hence the availability of low cost building materials and cost effective construction technologies are very important, so that the dwelling units could be provided to such persons at affordable cost. As such, the stress will be on setting up of building centres by the apex co-operative housing federations in their respective states to manufacture low cost building materials and educate the construction workers in low cost technology. The housing co-operatives would also be asked to use local building materials in the construction of houses/flats. Some apex federations like Jammu and Kashmir, Tamil Nadu, Pondicherry have already set up such building centres.

#### **Rural Housing**

The co-operative housing movement has foray in the rural areas in a big way. At present 2000 primary co-operative housing societies are functioning in rural areas which have been formed mostly by the economically weaker sections of the population. The

apex co-operative housing federations of Tamil Nadu, Punjab, Orissa, West Bengal and Meghalaya have taken up rural housing programmes on a large scale in their respective states for the economically weaker sections.

In the 11th National Congress of the housing co-operatives, the discussion will be held on the development of co-operative housing in rural areas more vigorously so that the needy people could get affordable dwelling units.

#### **Promoting co-operative housing in Asian countries**

The co-operative housing movement in India has developed substantially. The National Co-operative Housing Federation of India (NCHF), therefore, has decided to promote national housing in Asian countries. A lot of work has already been done in this regard. In that connection, the ICA Regional Office for Asia and the Pacific, is also organizing a regional seminar on housing co-operatives in Kuala Lumpur (Malaysia) during early 1996, in collaboration with the NCHF of India.

#### **Legal**

The housing co-operatives are caught in the intricate legal problems while executing their

housing projects which arise as a consequence of various enactments, rules and regulations made by the central and state governments. In view of the distinctive nature of functioning of housing co-operatives, it was felt that there was a need for a special chapter in the present State Co-operative Acts to regulate the working of housing co-operatives. Taking this position in view and on the persuasion of NCHF, the Government of India, constituted a drafting committee to frame a suitable Model Law on Housing Co-operatives for inclusion in the state co-operative acts. The drafting committee has since prepared this draft model law.

The NCHF has played a vital role in drafting this model law. This draft law is at present under consideration of the Ministry of Urban Affairs and Employment. The NCHF has requested the Ministry to finalize and approve it at the earliest and thereafter this separate chapter should be sent to the state governments for incorporation in their state co-operative societies acts, which will solve the legal problems of the housing co-operatives.

#### **Training Programmes**

Human Resource Development in housing co-operatives is a continuous and systematic approach to productivity, which deals with issues related to individual employees and teams in co-operative organizations. This improves capacity and efficiency of functionaries at all levels to face the change and challenges. Taking the above facts in view, the NCHF has been organizing training



*Co-operative housing in India*



programmes for the co-operative housing. The Congress will stress on the need of organizing the training programmes on the management of housing co-operatives, leadership development programme, low-cost housing technology, computerisation of the working of apex co-operative housing federations and housing co-operatives.

**Introducing computerised systems**

The activities of the co-operative housing movement have increased tremendously. In order to bring efficiency in the working of the apex co-operative federations and housing co-operatives, they have been asked to introduce the computerised system in their functioning. The NCHF and some apex federations have since introduced this system.

**Regional office at Guwahati**

The co-operative housing sector is not making much progress in the North-Eastern region. In view of that, the

NCHF has decided to open its regional office at Guwahati for promoting and strengthening co-operative housing movement in that region. The apex co-operative housing federations and housing co-operatives are already functioning in the states of Assam, Manipur, Meghalaya and Mizoram.

**Strengthening the weak apex co-operative housing federations**

Some weak state level apex co-operative housing federations need to substantially improve their financial performance to meet the standards set by financing agencies for refinancing their loaning schemes to housing co-operatives. For that purpose, these federations have to streamline their working, reorganize their organizational structure, etc. Realizing this, the NCHF constituted an expert group to undertake a study on the working of the weak apex federations to evolve necessary performance. The expert group has since submitted its report

on their working. The group recommended that such federations should streamline their management and loaning operations in order to improve their productivity.

**Loans to individuals by apex co-operative housing federations**

Due to changed environment, it was decided that the apex housing federations should also provide loans to individuals.

Keeping in view this fact, a committee was set up by the NCHF to study the issue of providing loans to individuals by apex federations. This committee recommended that the apex federations, wherever possible and feasible should go in for individual financing on experimental basis.

*Mr. Khurana is the Managing Director of National Co-operative Housing Federation of India, the national apex of housing co-operatives, New Delhi.*

# Training Opportunities

**Institute of Rural Management, India**

The Institute of Rural Management (IRMA), Anand, India has announced the following training programmes for 1996 in which foreign participants are accommodated:

**1. Management of Agri-business Co-operatives in Developing countries**

*Objectives:*

- Develop sensitivity to emerging challenges and opportunities for agri-business co-operatives.
- Update knowledge of various management tools and techniques for better decision making.
- Build societal general management perspectives relevant for managing large scale business co-operatives.
- Enhance effectiveness in the work environment through better appreciation and awareness of one's style of functioning.

*Participants:*

- Chief executives and senior managers of agri-business co-operatives.
- Prospective managers of agri-business co-operatives.

- Managers and executives in funding institutions and apex organizations supporting and promoting agri-business co-operatives.

*Content:*

Procurement, management of manufacturing functions, marketing, HRM, financial management, information system management, interface between law and co-operatives, strategic management, managerial politics, decision making in agri-business co-operatives.

*Cost:*

INR 50,000 for Indian participants and US\$ 3000 for overseas participants, which includes board and lodging, teaching material and field visits.

*Duration:* 12 February to 23 March, 1996.

Nominations to be sent to:

Programme Coordinator  
**Institute of Rural Management at Anand**  
 PO Box 60  
 Anand 388 001, Gujarat State,  
 India.

Fax: (91)2692-40188;

Tel: (91)2692-40177, 23702, 23971

**The International Co-operative College,  
Stanford Hall, Loughborough  
Leicestershire, UK**

The Co-operative College Training Centre at Loughborough has announced the following study programmes for 1996:  
**Management of Development Projects within Liberalisation Programmes - 22 April to 28 June, 1996 (10 weeks)**

*Participants:*

This course is for co-operative, rural development, government, NGOs, small and medium sized business enterprise officials who are involved in managerial administrative and advisory capacities to improve sustainability of development projects.

The course members will learn:

- to identify the influence of environmental factors
- to assess market opportunities in the wake of severe competition
- to maintain sustainability of development projects
- to identify and provide for training needs

*Course content:*

Dimensions of sustainability, management practices for business development, facing competition, project planning and appraisal, market economy, training for development.

Study visits will be undertaken to co-operative development agencies and small and medium sized business enterprises who successfully face the competitive challenges of the market economy.

**Mobilising Credit and Savings  
01 Oct to 13 Dec 1996 (10 weeks)**

*Participants:*

Participants should have experience of the problems involved in organising credit for low-income groups, whether or not they have hitherto been successful in overcoming these problems.

*Objectives:*

Participants will learn:

- to appropriate lessons from the informal credit sector
- how to develop and use group responsibility and common Bond
- how to choose between alternative interest policies
- how to issue and recover loans
- how to collect savings
- how to frame appropriate rules and legislation
- to use computers for word processing and accounts
- to develop suitable training
- to manage the supply of farm inputs

*Course content:*

Credit management, control accounting, environmental studies, supply of farm inputs, training management, co-operative principles and practice, management accounting, computer studies, fundamentals of managements.

More than 20% of the programme will consist of study visits including detailed study of Britain's dynamic credit union movement.

**How to Make Field Education effective  
in a Small Budget**

**April-June 1996 and April-June 1997 (10 weeks)**

This course is designed for those responsible for extension, field education for co-operatives or any other training programme for people in low-income areas, where communication is difficult.

*Objectives of the course are:*

- use and make video programmes and slide tape programmes
- contribute effectively to radio programmes
- write and produce leaflets and training manuals
- commission work from printers and desk top publishers
- use word processors
- make visual aids without any special equipment
- attract suitable audiences and keep them interested
- teach people with low education
- collaborate effectively with other programmes aimed at the same target group, such as adult literacy.

*Course content:*

Curriculum design, management of field education, using mass media, environmental studies, making a video, making a slide tape programme, making training material with and without a word processor.

Study visits will include a radio studio, an institution providing distance learning, co-operatives which are making good progress with small resources and relevant training programmes.

For further details on course fee, etc. please write to:

N C Wijayaratra  
Co-op Education Development Officer (Int'l)  
The International Co-operative  
College Training Centre  
Stanford Hall  
Loughborough  
Leicestershire LE12 5QR, UK

Tel: (44)1509-852333

Fax: (44)1509-856500.

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# Creating a National and International Environment favourable to Social Development

- Action Programme by World Summit for Social Development

The first and the largest World Summit on Social Development ended on March 12, 1995 with signing of Copenhagen Programme of Action by 118 countries represented by heads of states and top leaders.

The lengthy document on the programme action does not set new agenda for the governments. Rather it integrates and reinforces the social programmes promoted by many UN agencies on eradication of poverty, expansion of employment opportunities, social integration through social justice and equality, and narrowing of the gap between the poor and the rich. It has also set targets for the year 2000 although not specific and binding on the part of the government on major social issues. Many rich countries refused to meet the target of contributing 0.7% of GDP to ODA programmes by the year 2000.

At the plenary session, US Vice President Al Gore declared their new policy of new partnership initiative under which USAID would channel 40% of development assistance through non-governmental organizations (NGO). Cuban leader Fidel Castro's objection to 'neo-liberal doctrine' being imposed on the world since the fall of Soviet Union came as a reply who also called for better distribution of resources among all nations.

The declaration, however, stipulated that interested nations should pledge to allocate 20:20 ratio of ODA and national budgets of recipient countries.

Another important resolution was to declare a decade for the eradication of poverty from 1997 by the UN General Assembly.

The declaration has undergone many changes from the first draft due to debates on the specifications and rhetorics used.

Feminisation of poverty was emphasized in the light of the discussion on poverty. The revelations made as to the percentage of poor women as 70 from the world's 1.2 billion poor made the point home. More than 550 million of poor are found in rural areas, living below the



Good life for Children? Street children at Port Moresby, PNG

poverty line of US\$370 a year. It has also been found that even in the developed world, women are sliding below the subsistence level. In the US itself, 3 out of 5 single mothers face near poverty, who are gradually increasing in number. Swedish Prime Minister declared "If poverty has a feminine face, we must feminise the struggle against it. Enlightened men should learn from the feminist agenda. Shared power and shared responsibility is not a cost. It is an investment in fighting poverty. In better decisions in the chances for a good life for women, children and men."

One of the appreciated firm commitments was made only by Denmark and Austria, who expressed their willingness to write off debts owed to them by the poorest and most indebted countries.

Participation of few international NGOs, including the ICA, was another feature during the Summit. The ICA presented a statement on behalf of the co-operatives in the world. (ICA News, Vol.1 & 2, 1995 carried the full text of the statement). The statement cited examples of co-operatives contributing to social development globally, specially in the areas of environmentally sustainable development, the advancement of women,

the provision of shelter, affordable health care, training and human resource development within co-operatives, integration of migrant workers and their families and opportunities afforded by co-operatives to indigenous peoples. The statement endorsed the draft programme of action and affirmed the ICA's commitment to collaborate with the UN on the implementation of the programme.

The NGO Forum during the Social Summit made the NGO presence than Rio Conference on Environment. The NGOs who participated criticised the strange appearance of World Bank as an NGO. They questioned 'What is the World Bank doing at the NGO Forum. A pamphlet issued by a group of NGOs had interesting remarks:

"For 50 years now, the World Bank has been the bank of the rich countries and the multi-national corporations.

During the last 15 years, the Bank and the IMF has used the debt as an instrument to force through a brutal neo-liberal model in more than 80 countries in the third world. Their policies has converted many countries to sheer paradise for multinationals, thriving on low wages and non-existent environmental regulations. Their policy, the structural

adjustment programmes, has created more unemployment everywhere and deepened the gap between rich and the poor. Trade liberalisation and the push for export-orientation is undermining food security. In Africa people are starving as a direct consequence of structural adjustment.

Public health service and public education systems have been destroyed. The over-exploitation of natural resources is being encouraged."

The World Bank, in reply, presented their emphasis on social development funding and the conditions laid down on the important social issues and environment in granting loans.

The NGO Forum took an opportunity to issue an alternative declaration of their own, on the subject of Social Development. The Forum was somewhat critical about the overtones of the Summit Declaration on open and free market forces. They were also unhappy on the human rights issue. Neo-liberal system as a development model came

under their severe attack.

The idea of holding a World Summit on Social Development was mooted by UN Economic and Social Council (ECOSOC) in 1991. The proposal was adopted by the General Assembly of ECOSOC in November, 1991. The UN General Assembly gave its approval in 1992. Thereafter, a series of consultations took place in all regions and consultations with NGOs also took place. A non-governmental committee too was appointed to liaise with the Summit Preparatory Committee.

What is the involvement of co-operatives in the implementation of the Programme of Action of the Social Summit?

The Copenhagen Programme of Action recognizes two sectors mainly for economic development: government sector and private sector. The inference is as if the co-operative sector has not emerged as a strong sector to be recognized at par with other sectors. However, the

document emphasizes the involvement of people's organizations in macro level planning and implementation of social development programmes. The Programme of Action recognizes the role of co-operatives in eradication of poverty and suggest that opportunities for income generation, diversification of activities and increase of productivity in low income and poor countries should be enhanced by strengthening and improving financial and technical assistance for community-based development and self-help programmes and strengthening cooperation among governments and other organizations such as co-operatives. Another strategy suggested is to strengthen organizations of small farmers, landless tenants and labourers, other small producers, fisher folk and community-based and worker's co-operatives. The Summit recognizes that encouraging the free formation of co-operatives, community and other grassroots organizations would promote equality and social justice and they should be promoted by the

**G**overnments should implement the commitments that have been made to meet the basic needs of all, with assistance from the international community, consistent with chapter V of the present Programme of Action, including, inter-alia, the following:

- \* By the year 2000, universal access to basic education and completion of primary education by at least 80 per cent of primary school-age children; closing the gender gap in primary and secondary school education by the year 2005; universal primary education in all countries before the year 2015;
- \* By the year 2000, life expectancy of not less than 60 years in any country;
- \* By the year 2000, reduction of mortality rates of infants and children under five years of age by one-third of the 1990 level or 50 to 70 per 1000 live births, whichever is less; by the year 2015, aid to achieve an infant mortality rate below 35 per 1000 live births and an under-five mortality rate below 45 per 1000;
- \* By the year 2000, a reduction in maternal mortality by one half of the 1990 level; by the year 2015, a further reduction by one half.
- \* Achieving food security by ensuring a safe and nutritionally adequate food supply, at both the national and international levels, a reasonable degree of stability in the supply of food as well as physical, social and economic access to enough food for all, while reaffirming that food should not be used as a tool for political pressure;
- \* By the year 2000, a reduction of severe and moderate malnutrition among children under five years of age by half of the 1990 level;
- \* By the year 2000, attainment by all peoples of the world of a level of health that will permit them to lead a socially and economically productive life, and to this end, ensuring primary health care for all;

## Vision for 2000

- \* Making accessible through the primary health-care system reproductive health to all individuals of appropriate ages as soon as possible and no later than the year 2015, in accordance with the Programme of Action of the International Conference on Population and Development, and taking into account the reservations and declarations made at the Conference, especially those concerning the need for parental guidance and parental responsibility;
- \* Strengthening efforts and increasing commitments with the aim, by the year 2000, of reducing malaria mortality and morbidity by at least 20 per cent compared to 1995 levels in at least 75 per cent of affected countries, as well as reducing social and economic losses due to malaria in the developing countries, especially in Africa, where the overwhelming majority both of cases and of deaths occur;
- \* By the year 2000, eradicating, eliminating or controlling major diseases constituting global health problems, in accordance with paragraph 6.12 of Agenda 21;
- \* Reducing the adult illiteracy rate - the appropriate age group to be determined in each country - to at least half its 1990 level, with an emphasis on female literacy. Achieving universal access to quality education, with particular priority being given to primary and technical education and job training, combating illiteracy and eliminating gender disparities in access to, retention in, and support for, education;
- \* Providing, on a sustainable basis, access to safe drinking water in sufficient quantities and proper sanitation for all;
- \* Improving the availability of affordable and adequate shelter for all, in accordance with the Global Strategy for Shelter to the year 2000;
- \* Monitoring the implementation of those commitments at the highest appropriate level and considering the possibility of expediting their implementation through the dissemination of sufficient and accurate statistical data and appropriate indicators.



governments.

As for the implementation of these, the Summit recommend formulating or strengthening comprehensive cross-sectoral strategies by the governments in partnership with the actions of the civil society which include co-operatives.

It is also recognized that effective implementation of the Declaration and Programme of Action of the Summit requires strengthening of community organizations, non-profit and non-governmental organizations. For this purpose, encouraging farmers' representative organizations and co-operatives to participate in the formulation and implementation of sustainable agricultural and rural development policies and programmes has been suggested. It should also be necessary to encourage and facilitate the development of co-operatives including among people living in poverty or belonging to vulnerable groups.

The Social Summit has identified several groups as socially disadvantaged: women, youth, indigenous people and refugees. A point of departure from the obscurity on structural adjustment policies has been visible in the Summit goals when it declared that governments, in co-operation with financial institutions and other international organizations, should protect basic social programmes and expenditures, in particular those affecting the poor from budget reductions, review the impact of structural adjustment programmes on social development, develop policies to reduce their negative effects and improve their positive impact and further promote policies enabling small enterprises, co-operatives and other forms of micro enterprises to develop their capacities for income generation and employment creation.

It is specially suggested that the World Bank and IMF and other international financial organizations should further integrate social development goals in their policies, programmes and operations.

Another suggestion is for the UN in co-operation with World Bank and IMF, to study the impact of structural adjustment programmes on economic and social development. The overall review of the programme of action is to be undertaken for discussion at the UN General Assembly in the year 2000.

## World Summit for Social Development Summary of the Copenhagen Programme of Action

### Enabling environment for social development

The summit promotes an enabling environment based on people-centred approach to sustainable development. This would include equitable and non-discriminatory distribution of benefits of growth among social groups and countries; An interaction of market forces conducive to efficiency and social development. A sup-

*"Social Development is inseparable from the cultural, ecological, economic, political and spiritual environment in which it takes place. It cannot be pursued as a sectoral initiative. Social development is also clearly linked to development of peace, freedom, stability and security, both nationally and internationally."*

portive political and legal frame work promoting democracy, development and all human rights and fundamental freedoms; Establishment of multilateral rule based international trading system, employment and income as a basis for social development; To ensure that the benefits of global economic growth are equitably distributed among countries.

### Eradication of poverty

Governments to give greater focus to public efforts to eradicate poverty by pro-

The global Summit on Social Development had a broad and complex agenda. The outcome has been the final departure from trickle down approach to development. And finally, the co-operatives have found a role in the UN agenda on social and economic development.

- Upali Herath

(Acknowledgements: *The Hindustan Times, The Network, World of Work, Dr. Dharm Vir; Copenhagen Programme of Action (mimeo).*)

moting sustained economic growth in the context of sustainable development and social progress requiring that growth be broadly based, offering equal opportunities to all people; governments to integrate goals and targets for combating poverty into overall economic and social policies and planning at the local, national and regional levels; Empowerment of people living in poverty and their organizations through capacity building and community based management; proper monitoring and evaluation as well as information sharing of poverty eradication plans; International community to foster on enabling environment for poverty eradication through increasing capacities of the countries involved; enhancement of opportunities for income generation, diversification of activities and increase of productivity in low income and poor communities; land reform, fair wages development of rural areas, improving access to markets and information and promoting training, education and research on farming systems; Addressing urban poverty by promoting micro enterprises, sustainable livelihood for people living in urban poverty and public and private investment to improve infrastructure, environment and shelter; Ensuring universal access to basic social services; enhancing production capacities of indigenous people; Enhanced social protection through legislation; protection of children and youth by promoting family stability and social support; protection of older persons through family support systems.

*Continued on next page*



What would happen to them with SAP?

### Expansion of productive employment and the reduction of unemployment

Creation of infrastructure and service facilities with the emphasis on women and disadvantaged groups for adopting technology to pursue employment opportunities created by governments and freely decided by the people; establishing appropriate social safety mechanisms to minimize the adverse effects of structural adjustment; creation of employment through labour intensive investments and through conservation and management of natural resources; enhancing opportunities for creation and growth of private sector enterprises for employment creation; establishing well-defined educational priorities in the context of changing global environment, through partnership between governments and other types of organizations; labour policies facilitating stimulating demand for labour, labour mobility and the use of disadvantaged groups; safeguarding human rights and labour specially in the case of women, children and migrant workers.

### Social integration

Participation of civil society in formulating and implementing decisions which affect their well being; transparency and accountability of public institutions for people to have equal access; non-discriminatory laws and policies for tolerance and mutual respect and value of diversity; ensuring equality and social justice through legislation and education facilities; looking after special needs of vulnerable and disadvantaged groups such as women, youth, elderly, refugees and displaced persons. Addressing the problems created by violence, crime and drug trafficking through specific health and social service programmes supported by the governments and other organizations in partnership; strengthening the family institution through policies, meeting family needs and equal partnership between men and women.

*"Over 1 billion people in the world today live under unacceptable conditions of poverty, mostly in developing countries, and particularly in rural areas of low income Asia and the Pacific, Africa, Latin America and the Caribbean and the least developed countries"*

## The Copenhagen Alternative Declaration

*This Declaration builds upon efforts emanating from the NGO Forum Development Caucus during the Social Summit preparatory meetings, the Oslo Fjord Declaration, and other national and international citizens' initiatives.*

We, representatives of social movements, NGOs and citizens' groups participating in the NGO Forum during the World Summit for Social Development (WSSD), share a common vision of a world which recognizes its essential oneness and inter-dependence while wholly embracing human diversity in all its racial, ethnic, cultural and religious manifestations, where justice and equity for all its inhabitants is the first priority in all endeavours and enterprises and in which the principles of democracy and popular participation are universally upheld, so that the long-dreamed creation of a peaceful, co-operative and sustainable civilization can at long last be made possible.

contradiction with the objectives of equitable and sustainable social development. The over-reliance that the documents place on unaccountable "open, free-market forces" as a basis for organizing national and international economies aggravates, rather than alleviates, the current global social crises. This false premise threatens the realization of the stated goals of the Social Summit.

The dominant neo-liberal system as a universal model for development has failed. The current debt burden of dozens of countries is unsustainable, as it is draining them of the resources they need to generate economic and social development. Structural adjustment programmes



*Environment's losing battle against humans - China*

In this context, we expected that the Social Summit would address the structural causes of poverty, unemployment and social disintegration, as well as environmental degradation and would place people at the centre of the development process. These include not only economic, political and social causes, but also the cultural structures of gender inequity.

While some progress was achieved in placing critical issues on the table during the Summit negotiation process, we believe that the economic framework adopted in the draft documents is in basic

imposed by the International Monetary Fund and the World Bank have consistently undermined economic and social progress by suppressing wages, undermining the contributions and livelihoods of small producers, and placing social services, particularly health care and education, out of reach of the poor.

In dismantling basic state services, these programmes have shifted an even greater burden onto women, who care for the nutrition, health, well-being and harmony of the family, as well as community relations. In promoting the rapid exporta-

*"To promote social development requires an orientation of values, objectives and priorities towards the well being of all and the strengthening and promotion of conducive institutions and policies. Human dignity, all human rights and fundamental freedom, equality, equity and social justice constitute the fundamental values of all societies."*

tion of natural resources, deregulating the economy and pushing increasing numbers of poor people onto marginal lands, adjustment has contributed to the process of ecological degradation.

This system has also resulted in an even greater concentration of economic, political, technological and institutional power and control over food and other critical resources in the hands of a relatively few trans-national corporations and financial institutions. A system that places growth above all other goals, including human well-being, wrecks economies rather than regenerates them, exploiting women's time, labour and sexuality. It creates incentives for capital to externalize social and environmental costs. It generates jobless growth, derogates the rights of workers, and undermines the role of trade un-

ions. In the process, the system places a disproportionate burden on women and jeopardizes their health and well being and consequently that of those in their care.

Finally, it leads to an unequal distribution in the use of resources between and within countries and generates social apartheid, encourages racism, civil strife and war, and undermines the rights of women and indigenous peoples.

It is for these reasons that we also cannot accept the official documents' endorsement of the new trade order as defined in the Final Act of the Uruguay Round and Articles of Agreement on the establishment of the World Trade Organization. The documents do not consider that trade liberalization through the General Agreement on Trade and Tariffs (GATT) and the WTO creates more losers than winners



*War and victims : Foraging for sea products in Vietnam*

and that the negative impacts will be disastrous for poor countries, and poor and working people within all countries. The interests of local producers, in particular, are undermined in the areas of foreign investment, bio-diversity and intellectual property rights.

We reject the notion of reducing social policy in developing countries to a "social safety net", presented as the 'human face' of structural adjustment policies in the WSSD documents. This proposal is predicated on the withdrawal

with disabilities, indigenous peoples, people in occupied territories, refugees and the displaced. It also fails to note how the undemocratic nature of structural adjustment programmes undermines the rights of citizens and often leads to their repression.

In addition, efforts made at the Social Summit to reverse agreements reached in Vienna and Cairo in relation to women's rights represent a further undermining of the possibilities for the kind of fundamental changes required for the

*"The eradication of poverty cannot be accomplished through anti-poverty programmes alone, but will require democratic participation and changes in economic structures in order to ensure access for all to resources, opportunities and public services, to undertake policies geared to more equitable distribution of wealth and income, to provide social protection for those who cannot support themselves and to assist people confronted by unforeseen catastrophe whether individual or collective, natural, social or technological."*

of the State from one of its fundamental responsibilities. The slashing of social expenditures in the North as a means of reducing the budget deficit has also undermined many of the achievements of the welfare state.

Social development can only be achieved if all human rights - civil, political, economic, social and cultural - of all individuals and peoples are fulfilled. We believe that the Summit documents fail to recognize adequate the primacy of human rights as a prerequisite for a participatory and meaningful social development for all sectors of society, especially for children and such marginalized groups as people

creation of just societies.

Finally, we note that militarization creates enormous waste of human, natural and financial resources. It causes further inequality and pauperization, political and social violence, including violations against women, and violent conflict that adds to the rising global death toll and the growing number of refugees and displaced people.

In rejecting the prevailing global economic model, we do not suggest the imposition of another universal model. Rather, it is a question of innovating and devising local answers to community needs, promoting the skills and en-

ergy of women in full equality with men, and benefitting from valuable traditions, as well as new technologies.

In light of the foregoing, we consider that the following conditions must be fulfilled at the household, community, national and international levels to realize this alternative vision of development:

#### AT THE HOUSEHOLD LEVEL:

- \* The new vision of development requires the transformation of gender relations, in which women are equal participants in the decision-making process.
- \* Women and men must share responsibility for the care of children, the elderly and people with disabilities.
- \* Domestic violence in all its forms must not be tolerated.
- \* Women must be guaranteed sexual and reproductive choice and health.
- \* Children's rights should be respected and enhanced.

#### AT THE COMMUNITY LEVEL:

- \* The keys to effective development are equity, participation, self-reliance, sustainability and a holistic approach to community life.
- \* The capacity of communities to protect their own resource base must be restored.
- \* Governmental and inter-governmental decisions must be built upon the full participation of social movements, citizens' organizations and communities at all stages in the development process, paying special attention to the equal participation of women.
- \* Communities must gain control over the activities of all enterprises that affect their well-being, including trans-national corporations.
- \* The political, social and economic empowerment of youth, especially young women, should be fostered.

#### AT THE NATIONAL LEVEL:

- \* All forms of oppression based on gender, race, ethnicity, class, age, disability and religion must be eliminated.
- \* Governments must ensure the full and equal participation of civil society in the processes of economic policy-making and other development decision-making, implementation and monitoring.
- \* Education must be granted as the main instrument to empower youth to take their rightful place in society, enabling



*Milling companies will soon eliminate them - Manual grinding business at Haiphong*

them to take control of their lives. Non-formal education should be promoted, drawing on the experiences and skills of non-specialized people.

\* Governments must ensure the full and equal participation of women in power structures and decision-making at all levels.

\* National accounting systems should be revised to incorporate women's unpaid work.

\* Governments must commit themselves to developing national strategies and implementation plans in order to fulfil their responsibilities under the Human Rights covenants. They must regularly report on their progress, in particular their efforts regarding marginalized groups' access to legal procedures. Governments which have not ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) should do so. Governments should work for the approval of the Draft Declaration on the Universal Rights of Indigenous Peoples at the United Nations.

\* Recognition of and respect for ancestral territorial rights of indigenous people and their right to self-determination is an imperative in order to ensure their existence as peoples and cultures. Territories that are still colonized should likewise be accorded their right to sovereignty and self-determination.

\* Governments must make agrarian reform the basis of sustainable rural economies and ensure access to affordable credit for the poor without discriminating on the basis of gender, race and ethnicity so that people can create their own employment and build their own communities.

\* Governments should develop sustainable employment programmes, in full consultation with trade unions and employers' organizations.

\* Governments of industrialized countries should reduce their countries' disproportionately large claim on available natural resources by implementing the appropriate mix of incentives, ecological tax reforms, regulations, and environmental accounting system to achieve sustainable production and consumption patterns.

\* Southern governments have the right to protect their people from the effects of deregulated and liberalized trade, especially in areas of food security and domestic production. Moreover, they should be able to regulate the market and take fiscal or legal measures for the purpose of combatting inequalities among their peoples. Africa should be given preferential treatment in this respect.

\* Governments should commit themselves to reducing military expenditure so that it does not exceed spending on health care and education and increase the conversion of military resources to peaceful purposes. This "peace dividend" should be distributed equally between a national and global demilitarization fund for social development. There should be a conversion of the military economy to a civilian economy.

#### AT THE INTERNATIONAL LEVEL:

\* A new partnership in South-North relations requires placing the cultures, development options and long-term strategies of developing countries first, and

not those of the North.

\* It must be recognized that cultural diversity is the principal source of new strength, new actors, new social systems and sustainable development, creating an alternative globalization from below.

\* There should be an immediate cancellation of bilateral, multilateral and commercial debts of developing countries without the imposition of structural adjustment conditionality. In the longer term,

*"Social development can only be achieved if all human rights - civil, political, economic, social and cultural - of all individuals and peoples are fulfilled"*

the international community should institutionalize equitable terms of trade.

\* Policy-based lending and the interference of the World Bank and IMF in the internal affairs of sovereign states should be discontinued.

\* The Bretton Woods institutions must be made transparent and accountable to civil society in both the South and the North. Their policies and programmes should be made people-centered and participation of social movements and citizens' organizations at all stages in the negotiation of agreements, project implementation and monitoring should be ensured.

\* Global macro-economic policy should address the structure of poverty and stimulate the levels of real purchasing power. An alternative macro-economic policy will have to meaningfully address the distribution of income and wealth, both between and within countries, leading to a democratization of consumption. This policy would require curbing lavish luxury goods economies and redirecting resources towards the production of essential consumer goods and social services.

\* Global production and consumption must stay within the limits of the carrying capacity of the earth. Political regulation is mandatory in order to prevent the global market system from continuing to reward irresponsible behaviour that cares nothing for the household, community, nation and humankind.

\* Regulatory institutions and instruments of governance and law that are truly democratic and enforceable must be

established to prohibit monopolistic structures and behaviour and to ensure that trans-national corporations and financial institutions respect the fundamental rights of all peoples. In order to make this possible, TNCs must be reduced in size. Work to complete the Code of Conduct for TNCs should be urgently resumed.

\* An international, independent body and accountability mechanisms should be set up to monitor, evaluate and effectively regulate the behaviour of trans-national corporations and their impact on individual nations, communities, peoples and the environment.

\* The international community should enforce the application of a tax on all speculative foreign exchange transactions (Tobin tax) of about 0.5%, the revenue of which should go into a global social development fund with adequate control mechanisms.

\* Effective international machinery to promote renewable energy should be installed in the UN system.

\* Regional and international organizations should encourage diplomacy, peaceful negotiations and mediation and promote institutions for research and train-

ing in non-violent conflict resolution.

rate communities, the US government, and Northern financial ministries.

Existing power relations do not permit the realization of these goals. We, representatives of civil society, call upon governments and political leaders to recognize that the existing system has opened the most dangerous chasm in human history between an affluent, over-consuming

*"We do not have much time. We are at the point of leaving to our children a world in which we ourselves would not wish to live"*

minority and an impoverished majority of human kind in the South and also, increasingly, in the North. No nation so dramatically divided has ever remained stable; no frontier or force can withstand the despair and resentment that a failed system is now actively generating.

We do not have much time. We are at the point of leaving to our children a world in which we ourselves would not wish to live. But we do find a tremendous inspiration and hope in the fact that the global NGO community taking part in



ing in non-violent conflict resolution.

\* In the 180 days between the Copenhagen Summit and Beijing Conference, we demand an independent investigation and audit of World Bank and IMF performance. In the aftermath of the financial collapse in Mexico, it is essential that the international community prevent future disasters that result from the refusal of the Bretton Woods institutions to depart from the agenda set by the financial and corpo-

the Social Summit in such a massive way can forge a common understanding of and strategy for the lasting improvement of humankind and nature.

With shared responsibility, we can draw from the present crisis the creativity needed to make a world community that truly works. This is our common commitment as we leave the Copenhagen Summit.

## Successful journey for improving the lives of Children - 1990-1994 : UNICEF Report 1995

UNICEF Report on the State of the World's Children-1995 marks a significant achievement of developing countries in the improvement of lives of their children. It states "...more than 100 of the developing nations, with over 90% of the developing world's children, are making significant progress towards the goals (set in 1990). And on present trends, a majority of the targets set for 1995 are expected to be met by a majority of the developing nations."

The major achievements gained during the period are:

- \* malnutrition has been reduced;
- \* immunization levels are generally being maintained or increased (80%);
- \* measles deaths are down by 80%, compared to pre-immunization levels;
- \* large areas of developing world, including all the Western hemisphere have become free of polio;
- \* iodine deficiency disorders are being eliminated (90%);
- \* vitamin A deficiency is in retreat (35 countries);
- \* the use of oral rehydration therapy (ORT) is rising (preventing more than a million child deaths a year);
- \* guinea worm disease has been reduced by some 90%.

This means that approximately 2.5 million fewer children will die in 1996 than in 1990.

The goals set for 2000 by the World Summit for Children are as follows:

1. A one-third reduction in 1990 'under-five' death rates (or to 70 per 1000 live births, whichever is less);
2. A halving of 1990 maternal mortality rates;
3. A halving of 1990 rates of malnutrition among the world's 'under-fives';
4. The achievement of 90% immunization among 'under-ones', the eradication of polio, the elimination of neonatal tetanus, a 90% reduction in measles cases, and a 95% reduction in measles deaths;

5. A halving of child deaths caused by diarrhoeal disease;
6. A one-third reduction in child deaths from acute respiratory infections;
7. Basic education for all children and completion of primary education by at least 80% girls as well as boys;
8. Clean water and sanitation for all communities;
9. Acceptance in all countries of the Convention on the Rights of the Child, including improved protection for children in especially difficult circumstances;

neath the broken bottom rungs of social and economic progress.

- Social statistics must become part of the warp and weft of media coverage, of political debate, and of public concern.
- In the recent commitment to free market economic policies, insufficient account has been taken of the effects on the poor, on the vulnerable, or on the environment.
- Breaking down today's development consensus into durable propositions is very much more difficult than any-



Future musicians -  
Children's orchestra of Waranagar co-operative, India

10. Universal access to high quality family planning information and services in order to prevent pregnancies that are too early, too closely spaced, too late or too many.

While giving details as to how the country strategies were planned and implemented successfully during the last five years, the Report also identifies issues and concerns for the next few years:

- At one time, wars were fought between enemies, but in the wars of the last decade, far more children than soldiers have been killed and disabled.
- An underclass is being created, under-educated and unskilled, standing be-

thing attempted in the past.

- Government expenditure can be restructured to make major investments in the health, nutrition and education of the poor.
- Poor remain poor principally, because they are under-represented in political and economic decisions.
- Many of the changes needed to implement today's development consensus run directly counter to deeply entrenched vested interests.

Violence against women and AIDS epidemic are some of the related issues identified as emerging which will affect the progress in the track.

## Introduction

Communication is very central in the lives of people today - both the rich and the poor. Technological developments in communication are responsible for making the world a smaller place and it can rightly be said that today is the age of information. The screen based, audio visual medium has gained immense popularity in this information age and is here to stay. The emerging concerns in the screen based technological innovations, which are happening at a very fast pace today, are to make them (the innovations) more interactive, decentralized, participatory, leading to greater involvement and equality amongst people, within and across national borders.

This paper focuses on video as a tool for communication.

Today, video has become a potent tool which is used by a variety of interest groups for their respective purposes. These interest groups are educational organizations, corporate businesses, government bodies, defence services, political parties,



People's video production group (source: ESCAP)

# People's Video and Training

Jyoti and Usha Jumani

religious groups, magazine publishing houses, advertising agencies, among others. They are well placed to access video equipment, technical people, and resources to produce the kind of video material they want for their specific purposes. All these interest groups are using video to reach their audiences directly in addition to the reach they already have through the mass medium of television. They are creating messages for direct-cast\* use in class rooms, in campaigns, in meetings, in discussions, in discourses, for mobilising public opinion, for attracting customers to their products, for disseminating information, for motivating personnel, for training and educating cadres, students, personnel, etc., etc. All these are very innovative and exciting uses of video in the hands of people - it is expanding the potential of video as a versatile tool.

Yet all these interest groups represent the elite and well-off sections of society, which is a minority of the population in poor countries. They do not enable ordinary people to use video in their own way for their own purposes. By ordinary people, we mean the vast majority of the population which is poor, and is struggling to improve their life situation. Poverty and illiteracy of this majority of the population has led to lack of self-confidence, low self-esteem and few educational opportunities for them. Consequently, ordinary people have very low exposure to the world of electronic communication, and little or no skills training in handling sophisticated electronic equipment. Thus they are easily excluded from the world of electronic communication, including video. However, they are the ones who need to take advantage of the information age to affect their life situations favourably.

## Television and People's Video

The mass medium of television is a major communication channel today which reaches large sections of population in most

countries. It is very influential and central in moulding public opinion. Television and video are interlinked in the world of media. Presently ordinary people in developing countries are linked to the mass medium of television as viewers, as recipients of messages, as research audiences. The questions which arise from this situation - is it necessary and possible to treat ordinary people as participants and partners in the process of information creation? Why have ordinary people mainly remained viewers, recipients of messages, research audiences, so far in the mass medium of television? What needs to be done to change this situation? This paper attempts to address some of these questions in the framework of training and people's video.

Today the mass medium of TV is centralized and controlled largely by the 'experts' - the people who create and disseminate the information and messages to be broad-cast. The purpose of the messages created is to impart information, education, and entertainment. By and large:

- the messages are created 'about the people' and 'for the people';
- the messages are created by 'experts';
- the centralized agencies through which this information is created are state-owned in many poor countries and privately owned in the highly industrialized countries;
- 'visibility' is created for those segments of the population who do have this access;
- the issues of the people who have access to the experts and the centralized mode of transmission are included more easily in these messages;
- the majority of the population does not have access to the experts and centralized agencies. Their issues, reality and priorities do not get easily included in these messages;
- lobbying and advocacy efforts by various organizations on behalf of this majority is trying to make a dent in this situation by getting the experts to include their issues in the messages generated for this medium.

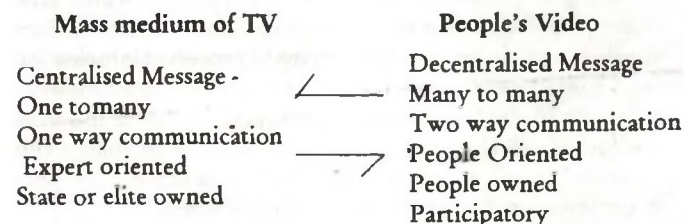
\* 'Direct-cast' is a positive term coined to cover all the ways of non-transmission use of video, as opposed to broad-cast and transmission.

COOP DIALOGUE

The messages produced by the centralized mass medium of TV can be rated on the following aspects to assess their capacity to strengthen the hands of the ordinary people:

- \* does the message portray the reality of ordinary people? Do they identify with the message?
- \* are ordinary people involved in the creation of the message or is it on their behalf?
- \* is the information creation process participatory or top-down?
- \* is there a process of 'information creation and action' and 'action and information creation' happening on an on-going basis?
- \* do ordinary people have access to and control of expensive tools like television? Does the message reach the poor?
- \* does the message help to change the lives of ordinary people for the better?
- \* does the message strengthen ordinary people to create and transfer power in their hands?

The centralised mass medium of TV has its strengths and limitations in addressing the concerns listed above. Video can provide a people-oriented, decentralised and participatory alternative to the centralized set-up of TV. It can become a tool to strengthen the hands of ordinary people along with the mass medium of TV. The diagram below illustrate this point graphically:



**Involving Ordinary People in Video**

How does one reach ordinary people? Several different kinds of organisations involved in development activities are working to improve the existing situation of poverty and illiteracy for the majority of the population in developing countries. They are attempting to involve ordinary people and get their active participation to change their (the people's) life style favourably. These efforts at reaching ordinary people can be categorised as:

- through development programmes of government,
- through the mass media itself,
- through educational organisations,
- through non-governmental organisations, people's organisations and their activities,
- through the development efforts of the corporate world of business,
- through the business activities of various corporate entities,
- through the political parties and their various units,
- through religious organisations.

All these different approaches to involving ordinary people have been using video in some way or the other to create more effectiveness in their work. These experiences with using video can be described as:

- organisations own TV and VCR;
- organisations use videos made by other organisations to show to the people they work with for creating awareness, for consciousness raising, for motivating, for orienting them, etc.;
- state owned television and/or other video producers go to some of these organisations to make programmes on their work and issues of the people they work with;
- organisations lobby and influence state own-ed television to include the reality of the people they work with in the programmes made by them;
- organisations develop alternate TV channels,
- organisations own video camera and are experimenting with it,
- organisations make their own video programmes themselves for direct cast and broad-cast use by themselves.



At the Temple before Debut - Child musicians in Hanoi

The experiences of the mass medium of TV and those of using video with people can be positioned on a spectrum ranging from people as recipients/beneficiaries of messages on the one extreme to people as active participants in creating messages on the other extreme, as shown below.

**People's video and training**

If ordinary people should and have to create space for themselves in the world of video (like all other interest groups have been able to do), then more and more intensive and systematic efforts are needed at the 'active participants in creating messages' end of the spectrum.

'People's Video' is the emerging trend for making this a reality. This essentially means, training ordinary people in an organisational/collective context to use video equipment and make programmes on their issues themselves. People also have to learn to use the information created through such programmes to change and influence their life situations favourably.

People's video training have to be conducted as part of adult education efforts to reach the present adult population of ordinary people. Alternative opportunities have to be created for them as ordinary people do not get opportunity to attend degree and diploma courses in video easily. Attempts have already been made at conducting such training in people's video, and the author has been directly involved in some of them. The following observations are being made from this experience base.



The training organised for enabling people to produce their own video programmes/messages would be useful and relevant when they incorporate the following components/modules:

- \* on being a video producer,
- \* technical skills of handling video equipment,
- \* direct-case use of video programmes,
- \* meaning of an alternative in video,
- \* present structure of the world of information,
- \* communications theory,
- \* development processes and issues,
- \* strengths/limitations of video,
- \* principles of participatory methodologies and con-commitant skills.

The training should be participatory and aimed at demystification of technology, skills transfer, exchange of skills, and capacity building. Learning, sharing, exploring, experiencing, analysing together should be an integral part of the training. The training should also create access to video equipment. The background of the participants and their group size will determine the duration of the training.

Such training can initiate the process of making people's video a reality. The mass media broad-cast mode of TV is getting on-going sustenance in the form of constant updating of facilities, new exposure and experience, new entrants being trained at various institutes and being inducted into its system of functioning. The people's video, direct-cast mode also needs

*"The pedagogies for conducting people's video training also need to be developed more intensively to cater to the needs of literate and illiterate populations, male and female, young and adult populations, poor and middle class populations, rural and urban populations across regions and cultures."*

similar on-going sustenance if it is to take roots and strengthen the hands of ordinary people to create a niche for themselves in the field of electronic communication. The training for people's video

have to be designed and follow-up in this context.

A systematic effort will be needed to reach increasing number of people. Programmes which train participants directly will evolve into training of trainers programme to achieve a multiplier effect for reaching more people. The trainers will also develop from ordinary people after sometime to make the training effort truly owned by people.

Training-learning material, for making these training effective, need to be developed on a very large scale. Presently there is very little such material readily available. Language, regional and cultural context, literacy level of the participants are special concerns to be addressed in developing the training-learning material. Similarly, very few documented case studies and examples of the effectiveness/limitations of people's video initiatives are available presently. A serious effort to document these experiences would contribute a lot in building confidence and credibility to spread the message of people's video to more and more people. It will enthuse people to be involved in such efforts themselves.

The pedagogies for conducting people's video training also need to be developed more intensively to cater to the needs of literate and illiterate populations, male and female, young and adult populations, poor and middle class populations, rural and urban populations across regions and cultures. Some of the pedagogies used presently are:

- hands-on experience,
- experiential learning,
- demonstrations,
- sharing information and experiences,
- case studies,
- small group and large group discussion,
- lectures,
- role plays,
- field projects,
- making video productions and using them during training,
- critiquing video productions made during training,
- practice,
- exposure - dialogue exchange programmes.

This is not an exhaustive list and more pedagogies will evolve by doing further

training and as people's video needs get crystallised more clearly. The presently used pedagogies also need to be developed far more rigorously to become effective methods of training-learning in people's video.

#### What needs to be done?

The overall readiness in non-governmental organisations, people's organisations, as well as other organisations which reach ordinary people, is presently quite

*"There is also the feeling that video communications is divergent from the main task of the organisation and does not warrant spending so much effort on video training and follow-up."*

low to take up people's video training in a big way. They do want to have access to and learn to make and use their own video programmes but there is apprehension on several counts such as the expensive video equipment needed and how it can be obtained, about lack of facilities like electricity, air conditioning and space, about safety and maintenance of delicate equipment as well as its insurance, about administrative overheads to maintain a video unit, about illiteracy of the people, about a long and intensive follow-up of the training in skills and capacity building. Such apprehensions deter organisations from getting involved in people's video.

There is also the feeling that video communications is divergent from the main task of the organisation and does not warrant spending so much effort on video training and follow-up. They feel it is easier to ask some video producer to come and make programmes for them when they want to use video in their work.

Given this situation, several preparatory efforts are needed to build up the readiness of these organisations to take up people's video. These include:

1. Sensitisation efforts through workshops, meetings and discussions with members and representatives of non-governmental organisations, people's organisations, and other organisations to understand the potential of people's video in their work and in strengthening the hands of ordinary people;

2. Sensitising funding agencies to develop a people's video component in their funding strategy so that organisations feel reassured about the availability of facilities and resources for initiating people's video in their work. Availability of resources such as space, training people, equipment and its maintenance, transport, etc., are major concerns in the minds of organisations;

3. Actual training to be conducted with the representatives of non-governmental organisations, people's organisations, and other organisations. Someone or some organisation(s) in the field of communications have to plan and offer such training within countries and across countries regularly and on a large scale;

4. After the training are conducted in intensive modules, there is need for serious and systematic follow-up with the trainees and their organisations, to help them through the various teething troubles that will arise in setting up video units (teams) in their respective organisations.

*"While embarking on people's video, it is very important for the organisation to have clarity of vision - why does it want to go in for video training and what does it understand by people's video and video as a development tool."*

There would be a need for refresher training and advanced training also as part of the follow-up. This learning process is a continuous, on-going one and video is also a teacher by itself to quite an extent;

5. When several organisations working with people are producing their own video programmes and using them in, direct-cast mode, some form of networking between them will be very useful. Over a period of time, the strength of the networks developed will be proportionate to the strength of their members. Networking will become increasingly relevant in the fast changing world of electronic communications, to deal with issues of time and space. Direct-cast mode will also need quick access to programmes made by people's video groups in other places (regions, countries) - such exchange can be facilitated by networking. Advocacy and lob-

bing efforts on various issues which come up through people's struggles (in which video becomes an input) will gain momentum through networking. New networks of people's video groups will develop and links will also get made with existing networks on other issues such as environment, health, education, credit, income generation, housing, water, child care, social issues, etc.

Communications is a slow, gradual, supportive process, which appears invisible on the face of it but its effects and impact are visible over time in the work of an organisation. Many organisations involved in development work do have some or other communications activities as part of their on-going work.

However, communications is still seen as the supportive activity, as secondary to the primary work of the organisation. In fact, it is often given low priority in terms of attention and resources of the organisation. While embarking on people's video, it is very important for the organisation to have clarity of vision - why does it want to go in for video training and what does it understand by people's video and video as a development tool. Such clarity will be necessary for giving due time and effort to the new activity that will develop in the organisation after the video training is over.

#### Development Communication

Development communication includes a variety of methods, both traditional and modern, ranging from music, songs, dance, dialogue, meetings, drama, posters, pamphlets, newspapers/wall newspapers/newsletters/magazines, theatre, puppetry, megaphone/microphone, audio tape, slides, photographs, radio, compact disc, film, television, video, computer, satellite, which are all complementary to each other for strengthening the hands of ordinary people. Video is only one of the methods used in development communication and can form part of an over-



Video presentation in a village - Sri Lanka

all communications thrust or strategy in the work of organisations involved in such development work. Such work usually has an element of influencing public policies in favour of the poor and deprived sections of the population. Considerable amount of lobbying and advocacy efforts are done to actually influence any particular public policy.

Several of the communication methods listed above are used for influencing public policies along with doing other on-going development activities. In the sphere for influencing public policies, video has an advantage over other communication methods in that it can bring alive in a graphic and vivid way the issues of the people to policy makers who may be located in places which are physically distant from where the people are. Video can be replayed for several different audiences and the same audience can also view it several times. It allows people to put forth their point of view in their own language and manner, in their own settings, and create a direct communication link with the policy makers.

People's video has immense potential which needs to be explored to the full. It has the power and capacity to enhance communications amongst ordinary people and with the outside world. It can become the common person's tool and play a very effective role in development and people-oriented communication. □

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# The Production Co-operative - A tool for national development

## Introduction

During the 1980s, trade union organizations, non-governmental organizations and even governments themselves began to regard industrial production co-operatives as potential vehicles for the creation of employment. In both developed nations and Third-World countries, which suffer from rampant and often-concealed unemployment, full employment, particularly employment in productive sectors of the economy, is an overriding national objective.

The capitalist method of providing full employment has proved a failure. Before the collapse of communism (which prided itself on the attainment of full employment, albeit at the cost of disguised unemployment), the communist method was extremely unattractive. An alternative method of providing full employment, therefore, needs to be found, and it is here that the production co-operatives have an important role to play (Derrick, 1982).

The production or industrial co-operative (these terms will be explained later) is a co-operative, which is, first and foremost, designed to provide employment and a source of livelihood for the members who work in it. This co-operative can serve as a source of income for its founding body, such as a trade union or community development organization.

This article attempts to explain the nature of the production co-operative, the reason behind its achievements and failures in Israel and abroad, and proposes a new method for establishing a successful production co-operative.

## What is the production co-op?

This section will provide some of the numerous answers to this question, and explain the various opinions relating to the nature of the production co-operative. As the production co-operative originated in France, it is worthwhile to examine how the French define this type of co-operative. Here, we will refer to the definitions introduced by Antoine Antoni, the General Secretary of the French Confederation of Production Co-operatives (Antoni, 1957). The first definition used

## Zvi Galor

*Production co-operative is one type of co-operatives interpreted and formed in different ways in different countries. There are also common parameters one could find in this diversified mode of co-operatives. Zvi Galor tries to synthesize the characteristics and tries to identify the best way of using production co-operatives.*

*Zvi Galor is the Program Director at the International Institute of Labour, Development and Co-operative Studies, Israel, who has many years of working experience in the co-operative sector.*

*As the paper is fairly long, the concluding part will appear in the next issue of COOP DIALOGUE.-*

*-Editor*

by Antoni was taken from the French Co-operative Law of 1937:

"Workers' production co-operative societies are established by the workers or employees for the purpose of jointly practising their occupation for their employment, or public or private services resulting from the practice of the said occupation, including the sale of products manufactured, processed, converted or extracted by them, and the execution of auxiliary emplacement and installation work."

The second definition, taken from the Co-operative Law of 1947, is:

"Societies, the essential aims of which are:

1. to reduce, for their members' benefit and by the members' joint effort, costs, and, where relevant, the sale price of certain goods and services, while fulfilling the functions of entrepreneurs or intermediaries, whose remuneration would have the effect of increasing these costs.
2. to improve the commercial quality of the products supplied to their members, or of those supplied by the latter or delivered to the consumers.

Co-operatives are active in all fields of human endeavour."

Antoni found both these definitions lacking and felt they ignored the main

function of the production co-operative, that is, the development of a service-oriented, rather than profit-oriented, economy. Relying on the example of a factory run in a democratic manner by, and on behalf of, its members, he offers a less restrictive and more functional definition:

"Workers' production co-operatives are economic enterprises functioning in a market and subject to competition from other enterprises. They group together workers who are or who wish to become joint owners and joint managers. They operate, first and foremost, in accordance with democratic principles whose precepts, as adapted to economic and industrial life, represent their members' welfare not only on the economic level (raising the entrepreneur's income and value added), but also on the social level (with an emphasis on provident schemes, solidarity and mutual level) and the human level (improving the working environment by the sense of confidence resulting from the choice of managers by and from among the members, and the feeling of being 'among ones own'). Co-operatives are, therefore, depicted as having the role of transforming economic and social conditions, while eliminating the sense of confrontation, born in the nineteenth century, between employers and employees, and bosses and wage-earners, or even better, while transcending this enmity by a process of reconciliation between individuals who have been set against each other in material and ideological conflicts first by the liberal revolution and then by the technocratic revolution. The result will be the foundations of a service economy which will rid society of the contradictions resulting from the development of a profit-based economy. In this economy, every one will have the maximum opportunity to fully develop his personality in the course of and by virtue of labour, which will be considered no longer as the source of worker alienation, but as the promise of authentic, free and equitable material and moral enrichment."

Antoni illustrates his expansive definition with a long history of production co-operatives, in all their variants, which were founded in the course of the hundred



Co-operative Garment Factory Worker

and twenty five years which had elapsed since the establishment of the first production co-operatives and his own time. He introduced into his definition a number of key components characteristic of these co-operatives.

Primarily, production co-operatives are productive economic enterprises which have to exist and develop in the conditions of a market economy, and in competition

with other enterprises in the same branch. Another feature is that the workers employed in these enterprises are also its owners and managers. One more important feature mentioned by Antoni is that co-operative enterprises are intended to further their members' social, education and human interests, and not just their economic well being. The last key component is that the enterprises are meant to serve their members, that is, in Antoni's words, they represent a service-oriented, and not a profit-based economy.

I believe this feature to be the most important of all, precisely because it has not been realized, either in French co-operatives or in the many other co-operatives through out the world. Most co-operatives are directed towards the creation of a surplus or, to put it differently, profit, and not towards serving their members. What is more, none of them abide by the international principles of co-operation or the co-operative laws of their respective countries. This issue will be discussed later.

We will now examine a group of definitions relating to production co-operatives which were published in the 1970s, beginning with what was then the standard definition in Poland (Bierzaneck, 1979). According to this definition:

"A labour co-operative is an enterprise which develops its activities on the basis of co-operative principles and which is engaged in various types of industrial production or the supply of various services. This activity is based on the practical work of the co-operative's members and on joint ownership of the means of production."

Another definition, also dating back to 1979 and worded in labour co-operative terms, comes from the French school of thought (Dandapani, 1979):

"Any industrial enterprise, all activities by workshop owners, building enterprises, public works or service enterprises can be described as labour co-operatives, if they are based on the ICA's co-operative principles. These enterprises recruit workers who elect their leaders, make joint use of the enterprise's equipment and services and are jointly responsible for the common

enterprise."

The principles contained in the above definitions include the following components: (i) the production co-operative is based on the ICA's co-operative principles; (ii) the enterprise in question manufactures and sells products, and supplies and sells various services; (iii) the workers are members of the co-operative and also owners and managers of the enterprises; (iv) the latter component refers to enterprises which belong to their workers.

The question of worker ownership is not fully understood by all those involved in the study of the co-operative movement.

The definition of ownership put forward by Cockerton (1980) a member of the British Co-operative Movement, had a different nuance: "The production co-operative is a workers' co-operative, and an enterprise belonging to and controlled by those working in it."

This definition, which is indicative of a situation in which there is perfect adaptation between the enterprise and the variables: an economic enterprise (producing goods or services); variables: economic enterprise (producing goods or services); managers who are workers; and workers who are the owners of the enterprise. But none of these are a true reflection of the reality existing in Britain during the 1970s. Indeed, that was a time when many attempts were made to define a production co-operative which did not belong to its workers.

Another definition put forward by Cockerton expresses, the dissatisfaction felt towards co-operatives in which the workers

*"Workers' production co-operative societies are established by the workers or employees for the purpose of jointly practising their occupation for their employment, or public or private services resulting from the practice of the said occupation, including the sale of products manufactured, processed, converted or extracted by them, and the execution of auxiliary emplacement and installation work."*

are not the owners: "A production co-operative is a workers' co-operative whose management, objectives, and use of assets are controlled by the workers, who wholly own its assets. This ownership is a key objective on which everyone agrees and strives to achieve as quickly as possible."

At a conference organized on production co-operatives in Israel in 1990, Avraham Daniel's definition was (Daniel, 1989):

"A voluntary association of those working in production and service occupations, who wish to improve their economic, social and cultural position on the basis of individual labour, without exploiting others while co-operating and proffering mutual help via a democratic management body."

In this definition, the question of ownership of the co-operative enterprise is deliberately avoided. Daniel claims that as a member's share in, at least some if not all, Israeli co-operatives, reflects the value of the co-operative's assets, the economic success of the co-operative is measured in terms of a rise in the value of the share. As a result, there is little motivation to accept new members, while the co-operative's paid workers are unable to raise the funds necessary for purchasing a share which will allow them to become members and owners of the co-operative.

Although all the definitions mentioned until now mention production and marketing, they do not refer to credit or the supply of inputs. So many co-operatives through out the world have failed due to their involvement in manufacturing and, some times, marketing as well. In reality, of course, manufacturing is impossible without credit, the supply of inputs and a suitable marketing apparatus.

### Characteristics of the Production Co-operative

Given the large number of definitions of the nature of the production co-operative, several researchers have attempted to outline the production co-operative's main characteristics. Jones (1971) describes these characteristics in the following terms:

1. The co-operative enterprise is independent.
2. The co-operative's workers can become members, usually by purchasing part or all of the co-operative's capital.
3. The co-operative's regulations contain provisions allowing for the direct or indirect participation of members in supervisory and management functions, at every level.
4. Workers' employment in the enterprise confers on them the right to share in monetary proceeds, after payment of expenses.
5. Application of the co-operative principle of one member, one vote, and a limited rate of interest in capital.

Rozolio (1990) describes the co-operative economy in terms of:

1. Joint ownership and labour.

2. "Democratic management via direct democracy.
3. Equal distribution of the fruits of the members' labour.
4. Quality of work and job satisfaction as an objective in its own right.
5. Involvement in the surrounding community.
6. The achievement of objectives over and above the co-operative's economic functioning.

Rozolio claims that as the production co-operative's members are also its owners, they are the ones to benefit from the results of its activity. The members are responsible for the co-operative enterprise, whether it succeeds or fails, and for its management and production.



Village grinding mill owner in Thailand - Potential producer co-op membership

Louis (1974) presents a different view point, by declaring that there is no need for a member of a production co-operative to be an owner as well. Proof of this statement can be found in various types of production co-operative, especially those established in Britain during the 1970s.

Louis maintains that co-operative-related legislation should allow a production co-operative to borrow money from any source, like any other economic enterprise. He also believes that the production co-operative should recompense its members and financiers in a normal (commercial) manner. (*This view is opposed to traditional co-operative practice.*) The main argument expounded by Louis is that it should be possible to establish a production co-operative without any shareholders' equity, purely on the basis of its members' technical knowledge and vocational expertise. Another characteristic is

the possibility of the operative's surplus being directed into a special fund for guarantees and reserves.

At this stage, I would like to introduce a completely different way of classifying production co-operatives and understanding their nature:

Co-operatives can be divided into two main groups (Galor, 1989).

The first group consists of co-operatives whose members use its facilities, but do not work in it. This group includes the consumer co-operative, the saving and credit co-operative, the insurance co-operative and the housing co-operative. These co-operatives usually set no limit on their number of members, and the value of their shares tends to be relatively low.

The second group consists of co-operatives whose goods and services are used by the general public, and not by its members who actually work in it. This group includes co-operatives engaged in manufacturing and the provision of services, construction co-operatives and transport co-operatives.

All of these co-operatives have a relatively small number of members, while the value of their members' shares is relatively high.

### Classification of Production Co-operatives

Production co-operatives have been called by many different names. As a result, in order to provide some kind of ordered classification, the ICA decided in 1978 to adopt the following nomenclature: **work co-operatives, workers' production co-operatives, industrial co-operatives, artisanal co-operatives, and service co-operatives.** All of these are names for what is essentially the same phenomenon. Munkner (1979) claims, in this context, that all co-operatives consist of manufacturers who are united in a democratic manner in order to achieve economic, cultural and social objectives, via the organization to which they belong. The convergence of terminology and the plethora of names has led to unnecessary confusion and a lack of basic understanding of the nature of the production co-operative.

Munkner therefore suggests that production co-operatives be grouped into three main categories:

a) *Service Co-operatives*

Members of these co-operatives remain independent, whether they are grouped together as enterprises or households, and make their living as self-employed manufacturing or service workers. Each member earns according to the extent of his participation in the production or the provision of a service. The co-operative supplies its members with production services and facilities at cost price, or at the lowest possible price.

b) *Workers' Productive Co-operatives*

Members of these co-operatives are joint owners of the enterprise, where they work as self-employed individuals, for their own profit and at their own (financial) risk. Members' participation in the enterprise takes the form of capital investment, labour and decision-making. Their livelihood depends on the enterprise's revenue and profit. This type of co-operative's main objective is production, although it is also involved in marketing, in order to attain the maximum price possible for the goods or services which it provides.

c) *Labour Contracting Co-operatives*

These are production co-operatives in which a group of workers organize to sell their labour. The workers are not owners of any enterprise; they hire their labour

....."Workers' Productive Societies" (workers' co-operatives or industrial co-operatives)..... are co-operatives involved in industrial production or the provision of services, and whose workers are the members., distributing surplus revenues among themselves according to each member's labour input."

and are paid for it by the co-operative, which concludes agreements with contractors and employers.

It can be claimed that this type of co-operative does not fall within the traditional category of what is defined as a co-operative, whose members are also its owners. But some countries have given

legal sanction to labour contracting co-operatives, the ICOM in Britain, for example, which will be mentioned later. I believe their status as co-operatives is legitimate, even if their equity capital is minimal.

Munkner claims that the second category, workers' productive co-operatives, can be divided into three main sub-categories; industrial co-operatives; artisanal productive co-operatives; and agricultural productive co-operatives. The first sub-category, industrial co-operatives, are organizations where a group of people decides to establish an enterprise for engaging in joint industrial production, on a co-operative basis. Co-operatives such as these are usually established in a new plant, or as the result of workers taking over an existing plant.

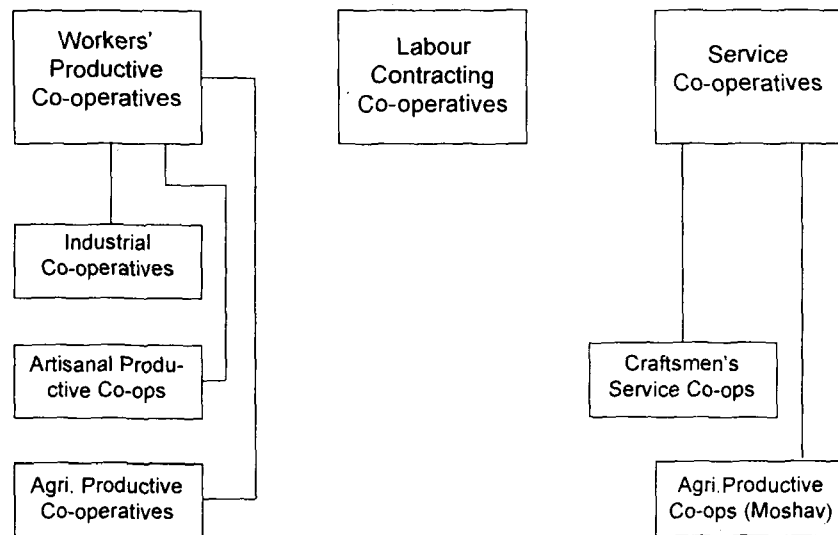
Members of the second sub-category, artisanal productive co-operatives, (that is, co-operatives run by owners of small workshops or by craftsmen) are highly skilled and the co-operative's production is based on their particular skills. Those establishing such co-operatives leave their own workshops and group together their capital, equipment, tools and labour.

Other co-operatives, run along similar lines, are craftsmen's service co-operatives, where craftsmen group together in order to obtain credit, purchase production inputs and market their products, although as producers, they continue to operate independently.

The third sub-category, agricultural productive co-operatives, were those where the producers work together in a jointly owned farm. Munkner cites the kibbutz and the moshav shitufi as co-operatives of this type.

**"Workers' productive co-operatives, on the other hand, endeavour to fully uphold the status of workers as members, embodying all the principles of worker ownership, and democratically controlled management of the means of production."**

Types of Production Co-operatives identified by Munkner



Productive co-operative nomenclature is far from simple. Another school of thought, Derrick (1982), claims that the terms, producers' co-operatives, can only be applied to agricultural co-operatives. He suggests using the term "workers' productive societies" for describing those co-operatives which, elsewhere, are called "workers' co-operatives" or "industrial co-operatives".

These are co-operatives involved in industrial production or the provision of services, and whose workers are the members., distributing surplus revenues among themselves according to each member's labour input.

A number of studies have been devoted to the subject of co-operatives run by craftsmen (Antoni, 1961). Antonis explains, that artisanal (craftsmen's) co-operatives are organizations owned and run by artisans. The co-operatives do not infringe on the principle of private ownership or their members' independence. These co-operatives can be divided into two further sub-categories:

*i. Ancillary co-operatives* - for providing members with such ancillary services as the supply of production inputs and marketing services. The members of such co-operatives remain completely independent.

*ii. Craftsmen's production co-operatives* - established when the production process is complex, requiring production line manufacturing and a high level of specialization. Members of these co-operatives work together. The co-operative as a whole is responsible for supplying raw materials, maintaining inventory, organizing production, setting prices and deciding on the level of worker remuneration. The co-operative is likely to be involved in such activities as construction, shoe or clothing manufacture, carpentry and textiles, or in the provision of such services as hair dressing, transport, automobile repairs and catering.

Workers' productive co-operatives, on the other hand, endeavour to fully uphold the status of workers as members, embodying all the principles of worker ownership, and democratically controlled management of the means of production.

Namjoshi (1968) presents a different categorization for India. In India, he explains, there are three types of co-operative:

- *Service co-operatives* - for supplying raw materials and marketing services.

- *Workshop co-operatives* - established by workers in a specific sector of the economy and concentrating all production in a central location, under a co-operative management basis. The members are remunerated by wages.

- *Home producers' societies* - members work in their own homes and own their own tools and equipment. The co-operative is responsible for planning production, credit, raw materials and marketing.

A similar classification of craftsmen's co-operatives in India is given by Rana (1965).

### A Different Classification of Production Co-operatives

Avraham Daniel (1986) introduces a different classification of production co-operatives, using Pation's research conducted in 1978 as a basis, and divides them into five groups:

1. *Endowed co-operatives* - private firms whose ownership has been transferred to their workers for a variety of reasons, including philanthropy, in the case of Christian socialists, and pragmatic reasons, when the owners of an enterprise have no heirs.

2. *Workers' buyout co-operatives* - private firms which have been purchased by a co-operative development authority and handed over to the workers, for the purpose of establishing a co-operative.

3. *Defensive co-operatives* - established by workers whose place of employment is threatened with closure, during periods of recession when unemployment is high. These co-operatives naturally have to cope with many economic problems, including a low level of industrialization, competitive imports, poor management and lack of investment. Additional problems are a limited market for goods manufactured by a co-operative, insufficient managerial expertise and a lack of capital.

4. *Alternative Co-operatives* - established by ideologically minded members of the middle classes who are eager for a change. Their main features are: production directed at the achievement of social goals; a belief that the product manufactured is essential; and a commitment to democratic control. Examples of these co-operatives in practice are language schools, print shops and publishing houses.

5. *Job Creation Co-operatives* - established in order to create sources of employment. Some have been established by the workers themselves, and others have been founded by philanthropic investors.

At this juncture, when the connection between the production co-operative and job creation is being discussed, it is appropriate to mention Desroche (1982), who

### Resurrection of a Company by Workers' Co-operative

A private company contracted to provide social care for Dunham and West Yorkshire county councils in U.K. went into liquidation, leaving the employees and the customers in the lurch. The care workers got together and formed Profiles Co-operative Care Ltd., and took over the functions of the company to much relief of the beneficiaries.

The care workers got the co-operative registered, prepared a business plan and successfully negotiated with the Social Services Department. The workers continue to get their wages, while contributing to share capital.

The co-operative provides carers, home helps and companions/sitters. The co-operative provides a better service by assessing each client's needs. The service is for 24 hours a day. The workers' team of the ex-company is more than happy to receive decent wages and own a company.

claimed that a survey which he conducted in France showed that SCOP production co-operatives (Societies Co-operatives Ouvrieres de Production) account for only 10 per cent of the employment provided (to both co-operative members and their hired workers) by all co-operatives in France. If craftsmen's and agricultural co-operatives are added to this category, the corresponding figure is 25 per cent. In France, the majority of co-operative sector employment (of hired workers) is provided by such co-operatives as consumer and credit co-operatives.

### Classification according to areas of activity

A survey conducted in a large number of developed countries (Moore, 1979) identified the following types of production co-operatives:

1. Processing - of fruits, vegetables, fish, honey, coffee, tea, prepared foods, spices and sugar refining.

2. Food production and marketing - bakery products, meats, preserves, soft drinks.

3. Processing of raw materials - silk, cotton, jute, rubber, tobacco, raffia.

4. Traditional handicrafts - leather processing, ceramics and pottery, wood sculpture, weaving, carpet weaving, jewellery, metal work.

5. Light industry - furniture, textiles, sewing, embroidery, painting, shoe repairing, printing, book-binding, farming implements, building tools.

Another important point mentioned by the survey is that production co-operatives based on individual production were more common and more successful than those based on collective ownership.

In Poland, production co-operatives began to develop in the 1870s (Trampczynski, 1977). Their areas of activity were diverse:

- i. Production of consumer goods,
- ii. Joint production with heavy industry,
- iii. Maintenance and repair services,
- iv. Laundry, photography, literature, beauty parlours, medical services and dentistry, language teaching,
- v. Construction and building maintenance,
- vi. Public transport, taxi services, haulage services,
- vii. Fishing and fish-processing,
- viii. Crafts.

A similarly diverse range of activities can be found in the publication of the International Labour Organization (BIT, 1962). In the literature, the co-operatives are classified according to their organizational level. In France, secondary and tertiary co-operatives can be found.

French production co-operatives, SCOPS, are organized in a single confederation, and divided up on a geographical and vocational basis. France has 17 regional organizations. The co-operatives are also divided up according to their fields of activity, as follows: the federation of construction and public works co-operatives, whose member organizations account for nearly half of all the production co-operatives in France; and the federation of printing and graphics workers. The number of co-operatives active in the areas of clothing and metalwork is not sufficient to make a separate federation worthwhile. The national confederation runs a central finance fund for helping existing co-operatives and establishing new co-operatives.

### New types of Production co-ops

This section examines the classification of production co-operatives, and the new types of production co-operative which have developed in the West over the past twenty years. I will begin by mentioning the production co-operatives established in Britain, consisted of work-

ers' associations which provided the capital necessary for their enterprises. The workers supplied the capital, thereby earning the right to work in the co-operative and participate in the democratic co-operative process (Abel, 1981). Variants of this type of co-operative were enterprises where membership derived from the fact that the worker was already employed in the co-operative, and not from the pur-

*"Production co-operatives based on individual production were more common and more successful than those based on collective ownership."*

chase of a share. Here, the worker 'rents' capital, while the members are responsible for controlling the co-operative and shouldering the risks involved. The ideal situation is where control (the right to vote) is conferred on the basis of one member-one vote, and only among those members actually working in the co-operative.

Another variant is a co-operative which has external members, that is, members who pay the requisite capital (share) and have voting rights, but who do not actually work in the co-operative.

In 1975, British Co-operative Law was amended to present two alternative conditions for the establishment of a co-operative (Wright, 1979):

1. The co-operative exists for the benefit of its members.
2. The co-operative is run for the benefit of the surrounding community. British production co-operatives have a number of other basic principles, namely:
  - the members of the co-operative control it, on the basis of one member-one vote, and not on the basis of the number of shares held or the amount of capital invested by each member,
  - the right to transfer of shares is limited,
  - there is a limit to the amount of capital which can be invested by a single member. There is no limitation on the amount which can be invested by institutional members.

There are currently two main types of production co-operatives in Britain:

1. The Co-operative Productive Federation (CPF) type. Members participate in investment, on which the annual interest is limited to 7.5 per cent.
2. The Industrial Common Ownership Movement (ICOM) type, where members do not participate in monetary investment, on which the annual interest is limited to 3 per cent.

In practice, there is a wider range of co-operatives, and these can be divided into a further two groups, which can be divided yet again into two sub-groups.

The main features of each group are:

In the first group, which includes ICOM co-operatives and limited companies with a common guarantee. The second group includes CPF co-operatives where ownership, as well as shares in the limited companies known as 'workers capitalism' enterprises, are shared by all the workers.

The basis for making the above mentioned categorization is the shareholders' equity of the co-operative, and the ratio between this equity and the number of members. The first group has shareholders' equity, which can be purchased both by members and the community, who are remunerated as appropriate. The second group includes co-operatives which have no shareholders' equity. Members, as well as the community, can only inject capital into the co-operative by loaning it money. The co-operative's members control it by virtue of their working in it and, via their salaries, they are the primary beneficiaries of the return on capital.

The next type of co-operative which we will discuss is the Employee Stock Ownership Plan (ESOP). This is not a production co-operative in the accepted sense of the term, but another type of framework, where the workers in an enterprise participate in its ownership.

The idea evolved in the United States during the early 1980s, when numerous industrial enterprises were experiencing financial distress or had gone bankrupt. These enterprises gave their workers the opportunity to buy them out, resulting in partial or full worker ownership. As the workers were also allowed the opportunity to raise capital, the enterprise had the



chance of recovering from its financial difficulties. By increasing their ownership, the workers become more involved in decision-making processes and responsibility for day-to-day management (Rozolio, 1990). Taking a more analytical view of the subject, it can be seen that two different types of enterprises, with distinct forms of ownership, control and operation, evolved as far back as the nineteenth century.

We are familiar with the privately owned enterprise, which has a large or small number of owners who invest their capital in establishing and operating the enterprise, and who hire workers. The workers do not participate in the ownership or management in any way, and are just paid wages. Trade unions endeavour to obtain the best possible wages and conditions for the workers. The co-operative enterprise, by contrast, features joint ownership, control, management and labour by a single group, the worker-members.

Although essentially a capitalist enterprise, the ESOP contains elements which are comparable to those of a co-operative enterprise. Thus the workers are the owners of the enterprise, enjoy the fruits of their labour, share in the enterprise's profit and, often to a considerable extent, in the control and management of the enterprise.

In the United States, there are currently some 9000 ESOPs (Paz, 1990) employing around 7.5 million workers. The workers own the majority of shares in approximately 1,500 of these enterprises. The U.S. Administration actively assists in transferring enterprises to worker ownership and in 70 per cent of cases, the enterprises purchased by the workers have proved a success.

The process of workers buying out enterprises is not confined to the United States. In France, this procedure is called *Rachat d'Entreprise par ses Salaries* - "Buying-out of an Enterprise by its Employees" (RES). The employees group together to form a holding company (or sometimes enter into a joint venture with private investors), which then controls the enterprise that has been taken over. The state

supports activities of this kind by providing credit and tax relief, on condition that the workers control at least 50 per cent of the holding company and the enterprise in question is in turn controlled by this holding company (Gallois, 1991).

The different types of holding exercised in co-operative enterprises, or in companies where worker ownership exists can be summarized as follows (Desroche, 1988):

*"Another problem is that of the members. The number of a co-operative's members is restricted to its maximum number of employees. When workers have to be dismissed in times of economic crisis, the co-operative is faced with the problem: it is unable to dismiss its own members. Accordingly, ... co-operatives tend to restrict their number of members to a low level and hire workers when they need to"*

1. A company owned by its workers,
2. Direct ownership of shares by wage-earning employees,
3. Indirect ownership of shares by employee trusts, as exemplified by the ESOP or the French RES model,
4. Traditional production co-operatives,
5. Firms owned by the community, as in the case of independently run enterprises in Yugoslavia, or the jointly-owned ICOM co-operatives in Britain,
6. Firms based on democratic principles,
7. Mondragon-type production co-operatives,
8. The democratic ESOP, whose shares are owned by the workers.

Historical review of the development of production co-operatives

The first production co-operatives were established in France in the 1830s (Antoni, 1957). These co-operatives were living proof that economic success does not necessarily entail the exploitation of hired workers by their bosses. In 1848, over 300 production co-operatives were formed in France, 100 of them in Paris alone. Most of them were established at the instigation of Philippe Buchez and

Louis Blanc. Buchez (1795-1865) said that workers must create production co-operatives and become self-reliant, supplying the necessary capital for the co-operative (Leclerc, 1982). Members of the same co-operative must have the same occupation and will choose managers from among themselves. Members were to receive wages according to the ability and in accordance with the norms accepted for their occupation.

At the end of every year, surpluses were to be distributed as follows: 80 per cent were to be allocated to members according to the amount of labour which they have invested. The remainder was intended to increase the enterprise's capital. The capital was not to be owned by any one individual, and was not to be divided up among the members. Hired workers had to become members after one year.

Most of the basic principles laid down by Buchez are still applied in many produc-

tion co-operatives today. It should be noted in Buchez's view, a member is some one who works in the co-operative. He was opposed to hiring workers and to members who did not work in the co-operative. He was in favour of distributing surpluses to members according to their input of labour, rather than according to the amount of capital which they have invested in the co-operative. In his view, the members are responsible for the co-operative's capital.

Louis Blanc (1812-1882) presented a different approach to the capital formation of the production co-operative, claiming that the co-operative should be financed by the state. Each member is to be paid according to his needs, while the member will contribute according to his ability. Production is to be directed and regulated by the state.

In Germany, Ferdinand Lassalle (1825-1864) promoted the same approach as Louis Blanc: that the state should provide finance for establishing the co-operative.

But he did not believe that the state should be responsible for organizing and marketing the co-operative's production.

We are confronted here with two schools of thought. One prefers a co-operative where there is an identity between the co-operative's capital and its members. The other school of thought regards the members only as those who supply labour and management but not as owners of the enterprise, since they do not supply the capital required to finance it.

At the end of the nineteenth century and the beginning of the twentieth century, production co-operatives were harshly criticized by some thinkers. Foremost among these critics were the English couple, Webb, in the early twentieth century, and Potter at the close of the nineteenth century. Daniel (1986) also cites Jones, who in the 1970s claimed that throughout their entire history, production co-operatives have always performed as efficiently as, or sometimes even better than private, capitalistic enterprises.

*"The production co-operative is regarded as a tangible solution to the unemployment problem in many developed, as well as developing countries"*

### Successes and Failures of the Production Co-operative

Meister found in 1973 that there are unsuccessful production co-operatives. Rosner (1990) gives a number of reasons why, explaining that members undergo a transition from ideological commitment to a calculating economic orientation,

measuring everything in terms of economic success and profit and loss. He also mentions that production co-operatives tend to change from multi-purpose co-operatives to single-purpose co-operatives.

With respect to members' participation, he found a transition from direct to representative democracy, and from equality of remuneration to inequality. All this eventually result from a situation of internal solidarity between members to a state of conflict between and management and workers.

The production co-operative is regarded as a tangible solution to the unemployment problem in many developed, as well as developing countries. The main reason preventing the establishment of co-operatives in developing countries is insufficient finance. Their local markets are also much smaller and more distant from the production site. Infrastructure, particularly transportation infrastructure, is non-existent or lacking. There is also a lack of skilled labour (Moore, 1979).

Industrial co-operatives in Poland have been heavily supported by the government. The government understood the important role small factories had to play in industrializing the country, especially in distant rural areas.

The establishment of small enterprises provides a source of employment for the population, particularly in areas where it is not possible to establish heavy industry (Bierzaneck, 1979). Bierzaneck explains that the co-operative model allows those who lack their own resources to take an active part in the industrialization process. The co-operative enterprise enables the member to not only find employment, but also to participate in the ownership and management of the enterprise in which he works.

What problems face a group of people who wish to establish a production co-operative. Derrick (1982A) compiled a long list of problems. The main problem is the lack of capital or own sources. Production co-operatives have larger capital requirements than other co-operatives. Accordingly, a larger element of financial risks is associated with them.



*A Cycle Rickshaw puller's self-help group - Market Economy will eliminate them*

*"Industrial co-operatives in Poland have been heavily supported by the government. The government understood the important role small factories had to play in industrializing the country, especially in distant rural areas"*

The next problem is finding suitable staff to run the enterprise, and who will be capable of handling the complex tasks facing them.

Another problem arises from the network of relationships existing between members of the co-operative and its management. Production co-operatives have to deal with the problem of giving due expression to the principles of democracy, and the relations between members working at different levels of the organizational hierarchy and the management levels.

The fourth problem encountered with those types of co-operative with members who are shareholders but who do not actually work in the co-operative. In my opinion, this situation should not have been allowed in the first place. But neither is the opposite situation desirable, where those working in the co-operative are not members. In Mondragon co-operatives, which have been an undeniable success, all the members work in the co-operative and all those working the co-operative are members.

The fifth problem is that of distributing earnings or surpluses to members. If a large proportion of earnings are allocated

to the members, the co-operatives will be left with relatively little investment or working capital. Derrick noted that 90 per cent of the earnings of Mondragon co-operatives are ploughed back into investment. But he also points out that these investments are credited to the members, and each member has his own account, where the current value of his share is recorded, thereby increasing members' motivation to help finance the co-operative. This form of enterprise is not found in most of the world's production co-opera-

tives, a fact which tends to create a distance between the member and his own co-operative as an organization, and to other problems which we will discuss later.

The sixth problem mentioned by Derick that of a hostile community and trade unions opposing the proper development of the industrial co-operatives. This state of affairs is most commonly encountered in co-operatives which employ a large number of workers.

The problems faced by the SCOP (Societe Co-operative Ouvriere de Production) co-operatives in France differ from those which have been reviewed so far in this paper (Espagne, 1982). Most of their problems are connected with employment. The primary assumption to be made when examining these co-operatives is that unemployment is a major and increasingly serious problem in the Western world. The SCOP is usually a labour-intensive co-operative. But given the state of technological development, which also affects these co-operatives, they inevitably become capital rather than labour intensive, meaning an ever smaller requirement for labour and workers. Unemployment is increased by technological changes and extensive imports. It was to be expected that a growth in unemployment would increase the motivation of the unemployed to establish new production co-operatives. Other factors affecting the French SCOP co-operatives are the institutionalized values of saving and labour. But saving is harmed by inflation, and labour is harmed by unemployment.

The history of production co-operatives in Germany is one of abject failure. Munkner (1979) attempted to detail the problems which have been encountered by German co-operatives. The first problem is that of capital formation. This is the foremost problem because most of those who try and establish production co-operatives are poor. Most production co-operatives are, in fact, under-financed. Munkner also mentions the problem of the conflict between the democratic structure of the co-operative, and the hierarchical structure of the production enterprise. Another problem is that of the members. The number of a co-operative's members is restricted to its maximum number of employees. When workers have to be dismissed in times of economic crisis, the co-operative is faced with the problem: it is unable to dismiss its own members. Ac-

cordingly, as Munkner explains, co-operatives tend to restrict their number of members to a low level and hire workers when they need to.

The co-operatives' inability to maintain a flexible employment policy impairs their efficiency and competitiveness. There are co-operatives whose veteran members prefer to employ hired workers, rather than accept new members in order that they may earn a larger share of the income of the co-operative which they established.

*"The Co-operative enterprise enables the member to not only find employment, but also to participate in the ownership and management of the enterprise in which he works"*

Another method cited by Munkner is to require a candidate member to pay the real value of a share. Alongside this attempt to review the problems encountered in the establishment of production co-operatives, a number of researchers have examined the reasons for their failure.

The Webb couple from Britain claimed that production co-operatives are doomed to failure because of:

- members' lack of confidence in their own abilities,
- an unsuitable marketing apparatus and lack of commercial expertise,
- very poor management (Blomqvist, 1979).

Louis (1983) supplements this list by noting the almost constant lack of co-operative education and training among members, as well as a lack of technical and management training, among both the members as a whole and their leaders. Lassere (1959) cites poor management, lack of capital, an unsuitable marketing apparatus and hired labour as reasons for the failure of production co-operatives.

The problem of insufficient capital is also mentioned by Daniel (1986) and, more extensively, by Abel (1981), who claims that production co-operatives suffer from under-investment. That is, their members are unable to raise all the capital. This problem is compounded by the fact that the members are not altogether willing to raise the necessary capital from their own sources, because as far as they are concerned, this capital is not liquid and therefore cannot be withdrawn on demand. Another reason cited by Abel for capital insufficiency is the low interest paid on capital. The low rate of interest (in line with the third international co-operative principle) is a disincentive to members' raising capital from their own sources. As a result, production co-operatives tend to



Woolen garment makers' self-help group in Ladakh, India - No markets



Greetings cards and products of T.B. patients co-operative in Tondo, Philippines has ready market in the country

suffer from a lack of investment, and most of their capital derives from outside sources.

In Poland, there are additional reasons for the failure of production co-operatives (Bierzaneck, 1979). The first reason is the conflict between the members' short-term interest and their enterprises' long-term interests. Another negative factor is the lack of discipline among the workers and their fear of risk-taking. Bierzaneck also mentions the workers' inability to acquire management skills, and the fact that those who do so tend to abandon the co-operative and set up their own, private enterprises.

Not all production co-operatives have failed, and will examine the reasons for their success. Industrial productions are very common in India. In 1975, India had 12,508 co-operative associations in the textile branch alone (Dandapani, 1979). Thirty percent of the Indian weavers' associations took the form of production co-operatives, which numbered 1.2 million. The value of their combined production in 1975 amounted to US\$140 million.

The development of the Ramgarhia production co-operative in India is particularly interesting (Mahoney, 1981). The co-operative was established in 1965 and soon failed, mainly due to its inability to raise enough capital. The amount of capital which was raised was not enough to provide employment to all of its members. In 1970, the members tried again and managed

*"The development of the Ramgarhia production co-operative in India is particularly interesting; .... Established in 1965 and soon failed, mainly due to its inability to raise enough capital. The amount of capital which was raised was not enough to provide employment to all of its members. In 1970, the members tried again and managed to raise more capital. .... The sales trebled every three years after its inception, and members received a higher-than-average income for their particular branch, apart from the apportionment of surpluses at the end of the year."*

to raise more capital. They also paid closer attention to their choice of products and the way on which they were marketed. The results were not slow in coming. The co-operative's sales trebled every three years after its inception, and the members received a higher-than-average income for their particular branch, apart from the apportionment of surpluses at the end of the year. Compared to similar enterprises located in the region, the Ludhiana region, investment in their enterprise was lower than average, while their sales were higher than average.

Another example of a successful co-operative can be found in France (Durand, 1987). The co-operative in question manufactures cardboard products. During the two decades prior to the publication of this paper, the co-operative's annual sales turnover increased by an average of 20 percent. The main reason for the co-operative's success was a united and supportive community.

Other reasons for its success were:

- an open market, without competition from imports and good marketing

skills;

- all of the co-operative's supply was taken up by the local market;
- the enterprise was labour-intensive and therefore did not require a major capital investment;
- the combination of work in the co-operative's plant and the members' homes - cutting and shearing were done in the factory, while products were assembled at home;
- a constant look out for new products and suitable resources of raw materials.

Industrial production co-operatives are important for the development of every country, especially the developing nations.

A primary task facing the latter countries is the development of rural areas, where most of their population lives. Dandapani (1979) reviewed the work that had done in this field in the 1970s, and identified a number of stages in the organization and establishment of production co-operatives, and in moving the rural population from agricultural employment, to productive, non-agricultural employment.

The first stage is the organization of all those rural residents who are to some extent technologically competent into an industrial production co-operative framework. Initially, their efforts are to be directed at agricultural production, and subsequently, at an entrepreneurial stage midway between urban industry and rural agriculture.

The next state consists of a closer combination of agriculture and rural industry, as step towards the establishing of increasingly modern industries in rural areas, exploiting rural manpower and training this manpower to perform industrial labour. The result will be the mechaniza-

tion and modernization of agriculture and, in turn, improve socio-economic rural infrastructure.

Production co-operatives have been noted for both their success and failure. The following sections will help us construct the optimum model for a production co-operative.

*...to be concluded in the next issue)*

# Trade Liberalization and the Implications for Co-operatives

James C. Lowe

## Introduction

One of the most significant developments of the world economic scene during the nineties has been the shift globally and regionally to trade liberalization. Freer trade may adversely (and positively) affect co-operatives and other small and medium-sized business. How they should prepare for the new environment may be an important issue for co-operatives in Asia and elsewhere.

This paper will attempt a preliminary review of this issue with the hope that it will generate further discussion and perhaps attention to this emerging co-operative challenge. The paper reviews very generally the provisions of the major trade agreements affecting Asian and Canadian co-operatives. It then attempts to identify the major anticipated impacts of these agreements and the lack of attention to specific regional, sectoral or community affects. Potential impacts on the co-operative sector are outlined, followed by very cursory proposals for how co-operatives should respond.

The paper makes no attempt to contribute to the historically controversial free trade policy issue. Similarly, the paper wishes to avoid the debate relating to the perceived trade-off between preservation of co-operative principles and rational business adjustment. However, that is likely impossible. Nevertheless, the discussion will try to focus on the practicalities of implications of, and necessary adjustments to, a free trade world for co-operative enterprises.

The discussion is based on the premise that without economic success co-operatives cannot survive and thus other objectives such as democratic effectiveness cannot be achieved, i.e. economic effectiveness is a necessary (but not necessarily sufficient) condition.

I apologize at the outset for the lack of a thorough literature review for this paper. I am sure that there is a significant body of work which would contribute to this topic in areas such as:

- the effect of trade liberalization on small and medium sized enterprise;
- the implications of structural adjust-

ment and globalization for co-operatives;

- co-operative values in changing world, and so on.

## Trade Liberalization : GATT & Regional Agreements

The past year to two have probably seen more advancement toward "free trade" than any previous decade. The Uruguay Round of Discussions under the GATT have lead to almost all the GATT signatory countries ratifying the resolutions.

The ASEAN countries\* have advanced the scheduled move toward free trade, now planning the removal of reciprocal trade barriers by 2003.

The nineteen APEC countries\*\*, which account for 42 percent of world trade, resolved almost unanimously, in November '94 to take the necessary steps so that by 2020 free trade will be possible among those countries. Trade liberalization has affected almost all the countries, and therefore, I would argue the co-operatives, represented here.

The following summarizes some of the highlights of several different accords, declarations and agreements relating to freer trade, which may affect co-operatives in this region.

### NAFTA

The North American Free Trade Agreement (NAFTA) was initially signed in 1992. It provides for both immediate and phased-in trade liberalization among the three participants. Many of the provisions have direct implications for Canadian co-operatives, the agriculture and food sector being the most affected.

### AFTA

The ASEAN Free Trade Agreement (AFTA) was first endorsed in 1992 with the idea to lower tariff is on all goods under the CEPT scheme over a 15 year period. This year ASEAN agreed that period was to be reduced so that AFTA would be realized in 2003. The agreement



Coca Cola trade culture and a tribal dancer - PNG

has also been extended to include unprocessed agricultural products.

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\* Countries include Malaysia, Indonesia, Thailand, Philippines, Brunei, Singapore and soon Vietnam.

\*\* APEC countries include, in addition to the ASEAN and North American, Australia, Chile, China, Hong Kong, Japan, New Zealand, Papua New Guinea, South Korea, Taiwan.

COOP DIALOGUE

APEC

The nineteen Asia-Pacific Economic Co-operative (APEC) countries have resolved to move toward free trade and unencumbered investment among themselves by the year 2020. The Bogo (Indonesia) declaration is a set of resolutions as opposed to a formal binding agreement, such as NAFTA. Among other things, the leaders at the conference resolved to: continue to recognize that the Asia-Pacific countries are increasingly inter-dependent and are moving toward a community of economies; provide an opportunity for developing countries to increase further their economic growth and their level of

examine the possibility of a voluntary dispute settlement mechanism.

GATT

At the same time, almost all of the countries represented by co-operatives here are signatories to the General Agreement on Tariffs and Trade and have ratified the recent provisions of the GATT. Provisions of the GATT provide not only for reductions in trade barriers and for trade dispute-resolution mechanisms but also for the reduction of direct subsidies to certain sectors.

The Anticipated impacts

Generally it is the notion among de-

age impacts. It is difficult to find analysis of the specific sectoral, regional, or other impacts reported in the popular media. Discussion seems to have avoided much examination of freer trade implications for: producers versus consumers; rich versus poor; capital-intensive versus labour-intensive industries; or north versus south.

In fact, few countries have articulated strategies which suggest that they are considering facilitating the adjustment needed to soften the potential of differential impacts of free trade within their societies, i.e. adjustment policies which will help firms and sectors adjust to the benefits of free trade are not yet part of the free trade agenda in most countries.

The Common Wisdom

So what happens when there is more trade (and investment) liberalization and less protectionism? Is free trade/trade liberalization merely for the those who have, the rich and powerful? Or is it for the 'little people' too? The popular notion of those who support trade liberalization is that in the long-term competition which will result from removal of barriers to commerce and investment will generate benefits to every one. Freer competition will result in more efficient use of resources, improved products and services, lower product prices and less exploitation of both suppliers of inputs and consumers by monopolists and others. This will produce an expanded economy, creating jobs and other business opportunities.

While the common wisdom is that freer trade will generate economic benefits in the form of increased economic growth, there are anticipated to be more benefits to some than others.

In addition, some people are concerned that the effects of increased competition may not all be positive. Some of these fears or expectations are:

- Multinational/trans-national corporations have a competitive advantage to which freer trade agreements contribute; or the corollary that small enterprises will be unable to compete effectively with established, integrated and more technologically advanced large scale businesses in a world where there is free access to all markets.
- Other regions and countries will create competition within, for example, the Asia-Pacific Region, which may be to the disadvantage of the developing countries.



At the joint venture company between a Hong Kong private company and Vietnam Co-op in Hanoi - a new trend?

development; strengthen the open multilateral trading system, enhance trade and investment liberalization in the region and intensify development co-operation.

To strengthen the open multilateral trading system, the participants decided to accelerate the implementation of the Uruguay Round commitments. They agreed to further reduce barriers, to trade and investment, including attention to non-APEC countries. The pace of implementation is to recognize the different levels of development of the participating countries so that developed countries are to achieve free trade 10 years prior to the developing economies. They recognize the need to commit to trade facilitation programmes to complement free trade rules. The APEC countries have also agreed to

developed as well as developing countries that free trade, as opposed to protectionism, will substantially assist them to reach their economic development objectives. The fundamental percept of 'reciprocity' is that the market, if allowed to function, will generate more economic growth (which is frequently equated with development) than a situation where countries isolate themselves from external competitive influences.

This is not to say that there are not some misgivings among certain sectors and political decision-makers that free trade may have some down-side, that certain sector of society may not benefit from a shift to a more competitive world.

It does not seem that the current dialogue extends beyond the global and aver-

- Countries will abandon environmental and labour protecting policies in order to maintain competitiveness.
- The specific: inter-sectoral, inter-regional or other concerns extend to different interests of: producers and consumers, rich and poor, capital-intensive and labour-intensive industries, north and south.

It is very likely that the region will evolve toward a modified free trade situation (the likely scenario). 'Modified' in the sense that there will not be an universal adherence to related policies which affect or preserve the natural comparative advantage situation of countries and therefore the long-term impacts of freer trade. This may mean:

- \* poor labour standards,
- \* lack of or unenforced environmental protection regulation,
- \* hidden subsidies or other market characteristics designed to maintain competitiveness but which differ among countries in the region.

These latter characteristics of the new environment also have important implications for co-operatives, especially because co-operatives have social objectives. All of these and perhaps other issues should be important to countries embracing the free trade panacea.

**Readiness of Countries for the new environment**

As mentioned earlier, most nations have not yet determined what the specific impacts of freer trade will be on their country as a whole, little own who will be affected.

Clearly there will be both direct and indirect impacts. There will be the obvious direct impacts on:

- those who currently benefit from tariff protection and non-tariff barriers;
- those who are currently 'blocked-out' or restrained from selling to other countries;
- those who would benefit from foreign investment;
- those who are ignoring international law and conventions, e.g. infringing upon intellectual property rights.

Indirect effects include: those effects which do not necessarily affect the relative competitiveness of an enterprise, industry or sector in its market but which

create new opportunities or challenges which they cannot avoid. Those who have business with firms or industries which are directly affected by freer trade will surely be indirectly affected. For example, foreign investment is often based, in part at least, on the differential artificial comparative advantage created by trade protectionist legislation.

What will happen when 'the playing field is levelled' by a trade agreement? The direct impact will be that capital investment will tend to shift with the result that there will be a different set of players and games in many countries. This may have varying degrees of indirect impact for others in the game who are suppliers to the main industry, distributors, provide infrastructure and so on.

*"The direct impact will be that capital investment will tend to shift with the result that there will be a different set of players and games in many countries. This may have varying degrees of indirect impact for others in the game who are suppliers to the main industry, distributors, provide infrastructure and so on"*

Obviously these industries and enterprises will adjust differently to the impacts. In some cases, governments have begun to develop policies to facilitate this adjustment, in others, non-intervention appears to be the policy.

**The Situation of Co-operatives**

What has all this international business development got to do with co-operatives? or other community-based, member-oriented entities? To answer this, it may be useful to consider the following:

- i. The environment within which both operate is changing and will change more with liberalized trade. Obviously, co-operatives consume, produce or handle products which are affected by policy changes, complying with trade agreements; so there are direct effects.
- ii. Even though many co-operatives do not operate internationally, they will be affected by those who do. Co-operative competitors, suppliers and even customers will be impacted by free trade, creating less direct impacts for co-operatives.
- iii. There are general implications for society which co-operatives, because of their

combined economic and social orientation, as well as their socially-responsible nature, will be unable to avoid.

So what's new? Won't co-operatives still have the same old problems to address (chronic challenges) at the local level among the disadvantaged, the poor, and those who lack conventional economic and political power?

Yes, probably more so. But I believe the required solutions will increase in number and complexity. trade liberalization may create more clientele or potential co-operative members. Robert Reich, former Bill Clinton Advisor, in 'The Work of Nations' (1991), warns that globalization and technology will result in deep social divisions in America (and I presume elsewhere). He says, "there is little doubt in my mind that we are heading towards a two-tiered society". Reich argues that there will be a smaller group at the top (well educated and well skilled) and a larger group, continuing to lose ground at the bottom, where global markets may threaten some of their livelihood. To some, this may suggest that America will become more like developing countries. If this is going to happen in developed countries, will not the situation worsen in the developing world?

So the body of people, the needs of whom co-operatives should serve, will grow in size under free trade, i.e. the co-operative clientele will expand.

**Which co-operatives and how are they affected?**

Do co-operatives fall into any of the categories discussed earlier for business organizations generally? It seems to me that depends upon their business and location: what they sell or buy, what market they serve, what country they are in, whether they are able or willing to make adjustments, how quickly and so on. Also consider the idea that this may depend upon why the co-operative was formed. Briefly, co-operatives are formed to:

- provide goods or services where none are available, e.g. credit unions;
- improve the performance of the market (countervailing power to monopolies and oligopolies), e.g. consumer and agriculture supply and marketing co-ops;
- collectively utilize members resource (usually their labour) so as to improve their incomes, e.g. worker co-operatives or micro-enterprise co-operatives (more common in Asia than in North America).

Co-operatives are also borne out of ideological reasons held by countries or governments which may be enshrined constitutionally and established by government process. Often these 'top-down' co-operative movements lack both good economic rationale as well as the necessary member commitment to be economically effective. In other countries co-operatives may enjoy special status, including protection from both domestic and international private sector trade or other business. Changes in their economic environment may have little effect on their existence or evolution, however.

**How will 'freer' markets affect each of these?**

1. The product, commodity and service coupled with the location/country of the co-operative may become non-competitive in a free trade region, e.g. can milk production in Canada or Indonesia survive free regional trade?
2. In addition to cost of production the competitiveness of a country's product may also depend upon the geographic location (transport factors) or size of the market (distribution factors) in which the co-operative operates, i.e., the 'market' may decide (based on natural or economic factors) that it is not economical for co-operatives or other firms to function in these regions or consumer markets. Consumers may be better served by foreign suppliers.
3. Alternatively there may no longer be a compelling reason for having a co-operative, if market performance improves as a result of freer markets, e.g. because of new entrants, and because selected domestic firms or entire industries restructure and improve their performance when they no longer enjoy protection of tariffs, NTB's, etc.
4. Conversely co-operatives may be the only means by which people can achieve long-term objectives which recognize human-kinds role in preserving ecological balance, etc., and which, among other things, use different accounting systems than those serving short-term interests of capital. Essentially, co-operatives may have a unique role in development which is sustainable.

To identify specific impacts, we must of course consider what co-operatives in the Asia-Pacific region do - the commodities, products and services of co-operatives:

*By sector* : Agriculture, fisheries, handicraft, textiles and garments, housing, etc., and by function: consumer co-operatives, agriculture supply co-operatives, marketing, insurance, credit and savings, etc.

*"The globalization and technology will result in deep social divisions in America (and I presume elsewhere)". "There is little doubt in my mind that we are heading towards a two-tiered society".*

*"There will be a smaller group at the top (well educated and well skilled) and a larger group, continuing to lose ground at the bottom, where global markets may threaten some of their livelihood"*

*Robert Reich, former Bill Clinton Advisor ( 'The Work of Nations' - 1991)*

Then we need to examine:

- the competitiveness of co-operatives in these areas;
- the product and services where competitiveness must be improved;
- how this may be achieved? with what urgency?

It is of course possible that this analysis will reveal that certain co-operatives are entirely isolated from the effects of freer trade directly. These might include for example, community based worker/micro-enterprise co-operatives, which provide goods or services only for the local community. It is difficult to imagine that a Philippine taxi drivers' co-operative, operating according to typical public utility-type regulation, will be directly affected by more liberal investment and trade laws. On the other hand, there may be impacts on the price of their vehicles, wage rates and employment alternatives of drivers, fuel costs, and even the ownership of competing franchises. All of which can affect them more indirectly.

Perhaps we can anticipate some of the impacts on co-operatives by reviewing what will go on around them. What do industries/firms do to improve competitiveness and how could this affect co-operatives?

Non-co-ops	Co-ops
- integrate vertically and horizontally	- co-ops could become suppliers or partners.
- increase scale of production	- lose markets if competing
- reduce prices	- lose revenues if competing
- increase worker skills	- lose best people
- increase productivity of other resources	- develop and supply new technology
- improve management	- lose managers
- alter the way work is done	- lose markets for inputs
- alter the input mix	- new product opportunities
- alter the product mix	- pick up shot-line products
- specialize	- reduce marketing, distribution costs of inputs
- seek cheaper inputs	- supply better inputs
- improve quality	- production opportunities
- eliminate unprofitable lines of product/service	- offer an alternative.
- adopt unethical practices	

Clearly this is only a rudimentary and partial list, but it is intended to suggest what a co-operative must examine in order to evaluate its position and prepare for the coming years.

**Alternative Co-operative Responses**

It may be logically argued, I believe, that freer trade is simply a constituent of globalization, one of the things which facilitates the disappearance of the independent state, regional economy, etc. One may ask accordingly: Is freer trade just another element of structural adjustment?

There are certainly close relationships, given that it is an element of economic liberalism, it dictates that market forces will govern, and so on. Therefore, much of the discussion of how, or if, co-operatives should respond to globalization may apply to the discussion of freer trade impacts.



Undoubtedly, co-operatives will respond to the new conditions of liberalized trade and investment as they had done for other challenges over the years, relying on their strengths.

Advantages which co-operatives may enjoy which are important to if not consistent with the changing environment include:

- i. acceptance and commitment already made to international co-operative network (is it ready made for international business and trade?);
- ii. social commitment to human resources, democracy, and the ecology, which may be conditions of trade required by 'enlightened' nations;
- iii. members who may be simultaneously employees, customers and owners and the attendant tendency toward product/service loyalty, conscientious workers and caring employers. Like many small business owner-operators, they possess energy, dynamism and commitment with a direct stake in the success of the co-operative;



Small socio-economic co-operatives will survive:  
Catering (Women's) co-operative - Vanuatu

- iv. a strong volunteer group in the form of elected officials and others.

To capitalize on these advantages, co-operatives will very likely have to give attention to:

- \* the role of **networks and alliances** (especially for business information) - copying the trans-national companies in order to compete;
- \* required **government policy changes** - will co-operatives need to request re-examination of the laws under which they are regulated to ensure the playing field is level in this new competitive world?;

- \* **re-evaluate the emphasis among co-operative objectives** and undertake adjustment;
- \* **changes in business objectives**; niche markets, unique products, including, e.g. those which respect the environment or acceptable to labour standards;
- \* **avoiding the structuring business organization along the lines of co-operative political organization**, which is too cumbersome, has too many officials wanting some 'piece of the pie' which in turn increases the margin, prices and thus decreases competitiveness.

Co-operatives may also have a broader role than their own preservation, one which relates to optimal adjustment toward sustainable results from freer trade. Other than the phasing-in provisions of the agreements, governments have discussed very little the possible need for programmes or policies to facilitate or ease the adjustment which they affirm must occur. For example, education and

training, infrastructure development, environmental and labour legislation, etc.

It seems to me that, like their role in the adjustment to the industrial revolution and to the effects of the market concentration of the past two centuries, co-operatives will have a role in assuring sustain-

ability of the development which will be initiated by trade liberalization and other elements of the current globalized economic revolution.

No matter which of the actions are given priority, co-operatives must begin to adjust now for trade conditions which are being phased-in over time, e.g. as in the North American agriculture sector. This requires not only a strategy for the future but careful analysis of what the free trade regime will mean in each market and jurisdiction. It may in some cases mean that co-operatives will need to compromise some traditional principles in order

to maintain some form of presence in the market, quasi-co-operatives may evolve in certain markets and business relationships with non-co-operatives may increase.

In some cases, this may be only to efficiently preserve capital and business organization which is already in place and serving a market.

In other cases, it may offer a kind of contingency or fall-back position should free trade not bring about all the benefits which are expected and there is a reversal towards protectionism, or as the raw forces of competition come to bear, market concentration worsens or attention to preservation of the environment is further ignored.

### Conclusion

In summary, the most practical adaptation and adjustments co-operatives must consider are:

- co-operation among co-operations,
- creation of business alliances and linkages,
- determine their competitive advantage,
- framework as their political organization,
- identification and development of their role in the evolution of sustainable trade-driven development.

Unless many co-operatives adapt and make these adjustments, they will either fail or will survive under special provisions made for them by governments more committed to certain ideologies than to the economic efficiencies implied by their commitment to free trade.

*"Freer trade is simply a constituent of globalization, one of the things which facilitates the disappearance of the independent state, regional economy, etc. One may ask accordingly: Is freer trade just another element of structural adjustment?"*

Countries participating in FTA's will, by the nature of these agreements, be committed to reducing protectionist policies and practices, both for products and sectors. Thus many co-operatives have no choice but to prepare to adjust. □

## Indian Co-operative Network for Women

**I**ndian Co-operative Network for Women is an all women's Co-operative network, promoted by Working Women's Forum (India). WWF is both an NGO and a trade union of poor working women of the informal sector.

The members of WWF/ICNW are usually vendors, hawkers, petty traders, service specialists, and micro business owners (producers) in the urban sector, while in the rural areas, fisher-women, lace artisans, beedi/agarbathi rollers, women weavers, rural vendors, and landless women form the chunk of its membership.

The recognition of multi-state status by the Government of India gives flexibility for ICNW to establish co-operatives any where in India. Initiated with 800 poor women, now the ICNW records a membership of nearly 300,000 women in the three Southern

### Ms. Jaya Arunachalam

*(Ms. Jaya Arunachalam is the President of Indian Co-operative Network for Women and the Working Women's Forum (India). She is the recipient of the prestigious national award Padma Shri from the President of India)*

States of India and has a recovery of 95%.

The informal banking system adopted in the ICNW/WWF provide the need-based consolidated package of services such as credit, health care, education, and training to most marginalized women who form the critical component of Indian work force.

The credit co-operatives established in 14 different socio-cultural contexts are run and managed by the poor women, as directors and employees tak-



*Banking operations of ICNW*

ing various responsibilities to help themselves.

The co-operative units being a model of credit institutions for poor women, are of applicable in any context.

Recently initiated partnership programmes in the tribal belts of Orissa is moving forward in a big way. The phenomenal success of ICNW lies in its social mobilization proc-

ess through neighbourhood group dynamics. This process has enabled a total participatory effort of the poor in all the programmes at all levels. Representation to state/central Government on the grievance of the contract/piece rate women labour has been a continuous process at WWF through mass meetings, leading protest marches and to present demand petitions to

**Age-Literacy-Social Status of WWF(I) Members**

PLACE	AGE					LITERACY LEVEL						MARITAL STATUS			
	25 & below	26-35 years	36-45 years	46-55 years	56 and above	Illiteracy	1st-8th Std.	9th-12th Std.	College	Leaders	Members	Married	Unmarried	Widow	Divorced
Madras	52	146	164	70	18	182	217	49	2	120	330	381	22	45	2
Dindigul	21	27	42	7	3	89	47	14	-	55	95	122	11	10	7
Vellore	12	73	56	9	-	58	73	19	-	34	116	116	11	18	5
Adiramapattinam	9	60	58	23	-	110	36	4	-	30	120	115	5	30	-
Bangalore	29	42	47	20	12	61	73	13	3	41	109	134	6	5	5
Bidar	28	46	45	26	11	130	13	7	-	22	128	131	8	8	3
Narasapur	21	34	51	40	4	57	81	12	-	138	12	122	6	22	-
Total	172	472	463	195	48	687	540	118	5	440	910	1121	69	138	22
Percentage	13%	35%	34%	14%	4%	51%	40%	8%	1%	33%	67%	83%	5%	10%	2%

government and realize demands like house sites, title deeds, better environment situation, effective public distribution system and for their welfare and labour rights. In the course of time, women were able to better their lives through their increased earnings such as better clothing, better education for their children, afford good food and more importantly save, invest savings productively and create assets.

Thus helping them to come out of the vicious cycle of extreme poverty, indebtedness and powerlessness and train them on issues affecting their lives and help them to have knowledge of basic services



General Body meetings

### Details of Employment Generation in various projects of WWF(I) from 1978-1994

Details 1994	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	
Administrative Staff of WWF(I)	5	9	13	14	18	26	32	35	34	42	45	56	60	65	71	80	85
Credit Organizers of WWF(I)	5	11	13	35	42	56	63	83	90	101	103	110	125	136	143	152	155
Service Centres of WWF(I)	25	41	45	45	41	41	41	41	26	23	9	9	9	9	11	11	11
Co-op Society Staff	-	-	-	4	5	6	10	12	19	32	27	30	35	43	49	56	60
Family Planning Project Staff & Health Workers	-	-	64	64	64	64	167	167	428	428	428	340	340	340	340	340	340
<b>Total</b>	<b>35</b>	<b>61</b>	<b>136</b>	<b>162</b>	<b>170</b>	<b>193</b>	<b>313</b>	<b>338</b>	<b>597</b>	<b>626</b>	<b>615</b>	<b>633</b>	<b>569</b>	<b>693</b>	<b>614</b>	<b>639</b>	<b>666</b>

Total number of people who received employment: 6,948

related to their economic and social well being (see chart on the previous page).

The experiment of WWF/ICNW substantiate the need for multiplication of such alternate development models in different socio-political circumstances, to alleviate poverty in the long-run and help the poor remove systematic obstacles to joint the mainstream development process.

Further such efforts help poor women to withstand the transition pressures of the ongoing policy of economic reforms. (See chart on this page).

Thus the WWF/ICNW is preparing itself for various measures to sustain informal sector workers during the period of EPR, measures to continue children's education, health and widen social security to poor women.

This would help millions of children to get good education and the poor women to get maternity relief and health security to relieve them from maternal mortality and above all train/orient other NGOs to play an effective pro-poor, pro-women role during the period of ongoing economic reforms.



Agarbatti (incense stick) worker

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*Medium :* English

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*Course fee :* US\$ 1700 (for 2 years)

*Board & lodging :* US\$ 3000 (for 2 years)

The course is self-financing. However, scholarships are available under Indian Government Cultural Exchange programme.

*Last date for applications :* 15 June (for local applicants)

For further information, contact:

Dr. G. Ojha  
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- Women in credit union leadership,
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- Succession planning,
- Utilizing new technology for more effective member services,

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- Field of membership issues,
- CEO/board competencies

*Dates :* 06 August to 09 August, 1995

*Venue :* Hilton Hawaiian village, Island of Oahu, Honolulu

*Sponsored by :* WoCCU and CUNA and affiliates (USA)

*Fee :* US\$ 695. In addition, the participants are required to bear the cost of travel, board and lodging. They are required to make the bookings themselves. The room charges at Hilton village are US\$ 139 and above + 10-17% tax.

*For reservations, fax to :*

(808)947-7898 or phone: (808)949-4321

For registration and other information, contact:

John Vardallas, or Sue Schultz  
CUNA & Affiliates  
Centre for Professional Development  
Tel : (1)800-356-9655/Ext.4053 or 4130  
Fax : (1)608-231-4253

## The International Co-operative Management Centre, Loughborough (UK)

The Director of Studies at the Centre has announced the following courses during July-December, 1995:

### 1. Congress Workshop for Policy Makers

*Theme :* Strengths and weaknesses in the manner in which co-ops have recently been promoted in Britain and the relevant of this experience to other countries.

*Target group :* Senior officials of co-operators who attend the ICA Congress.

*Dates :* 30 August - 23 September, 1995.

### 2. Diploma in Marketing

*Target group :* University graduates, professionals involved in marketing

*Dates :* 20 September - 16 December, 1995.

### 3. Management of Agricultural Marketing and Supply

*Target groups :* Managers, government officials and trainers concerned with marketing in such organization as marketing boards, NGOs and co-operatives.

*Dates :* 03 October - 15 December, 1995.

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*Target group :* The persons with:

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*Course contents :*

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*Dates :* 03 October 1995 - 30 Sept., 1996.

*Finances :* All courses are self-financing. However, the British Council and some international agencies provide scholarships.

For further details, write to:

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## Perestroika in Co-operation and Other Essays

Dr. P.R. Dubhashi, IAS (Retd), M.A., Ph.D., D.Litt.  
Published by Maharashtra Rajya Sahakari Sangh Mydt., Pune  
pp 428, 1993, Price Rs. 250/-

The book contains 45 essays written by Dr. P.R. Dubhashi, an eminent Development Administrator and at present Vice Chancellor, Goa University, Goa, over a period of 3 decades. The book contains 45 chapters which have been grouped in four parts, viz. Co-operative system, Co-operative Development, Co-operative sectors and Co-operative Management and Administration.

**Part I:** Co-operative system contains five essays, viz. Co-operative Perestroika, Area Development Through Co-operatives; Co-operatives as Agencies for Integrated Rural Development; Planning and Co-operation; Co-operatives as Agencies for Integrated Rural Development; Planning and Co-operation; State Partnership and Co-operative Movement; State Participation in Co-operatives Concept and Operational Experience; Corporate Planning and Co-operative Autonomy; Co-operation amongst Co-operatives; Co-operation and Unemployment; A new Era of Liberalization for Co-operative Movement; What is Co-operation - Objectives, Methods and Performance; Co-operative Movement - Present Status and Future Challenges; and the Co-operative System - Direction and change.

**In Part II:** Co-operative Development, five essays have been presented. These are: Co-operation in India Today; Co-operative Development in India since Independence - Retrospect and Prospect; Co-operative Development and Promotion of Co-operative Principles; Co-operation - as an Ideology of Social and Economic Reconstruction; Co-operative Movement - Challenge of the Eighties.

**Part II:** Co-operative Sectors presents nineteen essays such as, Development of Agricultural Co-operatives in Japan; Credit Through Co-operatives and other Financial Institutions to Small Farmers; Apex Bank and State Co-operative Development; Land Development Banking in India - an Overview; Co-operative Land Development Banks - Retrospect and Pros-

pect; Role of Commercial Banks in Agricultural Finance; Agricultural Credit System; Asian Agriculture Credit Systems; Agricultural Marketing - Theme of the Seventies; Orderly Agricultural Marketing through Co-operatives; Co-operative Trading Organisation in the International Trade of India; Price Support Policies and Co-operatives; White Revolution in Gujarat; Warnanagar - A fine example of Integrated Rural Development; Effective Institution Building for Co-operative Sugar Factories; Ensuring Growth of Co-operative Sugar Factories through Professionalization of Management; Sick Agro-industrial Co-operatives - Key to their Rehabilitation; Business Management in Industrial Co-operatives; and Rural Industries and the Co-operatives, have been presented.

**Part IV:** Co-operative Management and Administration describes seven essays viz., Management in Co-operation; Efficiency in Co-operative Enterprises; Aspects of Co-operative Management; Co-operative Training and Education in Sweden; Role of National Federation of Co-operatives; Role of Public Administration in Development of Co-operation; Administrator and the Citizens - Some General Reflections and their Relevance to the field of Co-operation.

The Book is an authentic account of multilateral diversified post-independent progress of the Indian Co-operative Movement. The author with his fluency of language, ability for analysis and interpretation of philosophy and practice of co-operation, has pointed out with clarity the merits and immense potentials of co-operation as the most suitable and inevitable means of economic and cultural betterment of millions of rural poor with social justice.

The author, with his vast experience as an academician, development administrator, Director, Vaikunth Mehta National Institute of Co-operative Management, Secretary in the Cabinet Secretariat, Govern-

ment of India, etc., has very ably covered the theoretical as well as the practical aspects of the post-independent progress of the Indian Co-operative Movement. The book, therefore, can serve the purpose of a text-book to the students of co-operation. It can also serve the purpose of a reference book to those who are otherwise interested in the historical perspective of co-operative movement of the post-independence era.

The author is widely travelled world over during his service career. The two essays relating to co-operative development in Japan and Sweden (Chapter 21 and 43) reflect outstanding economic progress achieved by the said countries through co-operatives. These papers, specially on Japan, however, go beyond merely co-operative concern and seek to search the secret of outstanding success achieved by those countries. It would be worthwhile if Indian co-operators too learn from these papers and try to implement the methodology adopted in those countries.

His thought on challenges before co-operative movement (Chapter 20) emerges as a result of liberalization effort made by the then Prime Minister Late Shri Rajiv Gandhi and reflects his concern about the co-operative movement. The suggestions are worth consideration and co-operators should think on the issues discussed.

Essays on Co-operative Credit and Banking (Chapters 22 to 28) clearly indicate his views and concern about farm financing. In these essays, on the one hand, he has shown his own apprehensions about single window approach, which has proved correct later on, and on the other, his methods of strengthening of credit delivery system, will go a long way in the annals of history of co-operative credit movement in India.

These essays were written on different occasions and as such a lot of repetition of thoughts has also been noticed, but this does not, in any way, reduce the impor-

## William P. Watkins Remembered

Immaculately dressed, looking very fresh and alert and totally engrossed in writing, William Watkins (known as Will Watkins to friends and colleagues), at 98 years of age, resembled very much his earlier self several decades ago. When I visited him in June, 1991, at the South Down Nursing Home at Chipin Norton in Oxfordshire, his day was no different than the hard working busy schedules he had every day during half a century of active career in the service of the Co-operative Movement. The only difference was that instead of attending several meetings, receiving visitors and answering phone calls at frequent intervals, Will Watkins was at peace with himself and with the serene country side environment surrounding the Nursing Home. Realising the importance of constant nursing care, he had opted to stay at the Nursing Home which ensured for him the solitude he needed for his writings and the freedom from the worries of organising medical assistance when needed.

Born into a decedent family of Welsh miners, Watkins received his early guidance from his father, who himself was a recognised co-operative leader in the Western part of England. After graduating from London University in Philosophy and Economics and after serving his country during the First World War, he started his co-operative

tance and utility of the book, Rather it reflects the author's passionate commitment to the progress of the country and the betterment of common people living in rural India.

The book on the whole is an excellent piece of work done by Dr. P.R. Dubhashi and everybody who is concerned with the co-operative movement of the country should read it.

-Dr. S. L. Tripathi  
Professor  
VAMNICOM, Pune

career in 1920, as a lecturer at the Co-operative College in England and within a few years (in 1929), he moved over to 11, Grosvenor Street to work with the International Co-operative Alliance (ICA), which organisation he continued to serve, except for breaks during the Second World War and during his post-war assignment in West Germany, until his retirement as its Director in 1963.

Under his stewardship, the ICA witnessed its transformation from mostly a consumer co-operative oriented organisation to a truly international organisation, responsive to the aspirations and needs of co-operatives in developing countries, where agricultural co-operatives are the most common form of co-operative enterprise. The ICA Conference held at Kuala Lumpur in January, 1958 and the subsequent visits to many Asian countries, then ICA President Marce Brot, Director Will Watkins and General Secretary Ms. Getrude Polley created the most favourable ground for establishment of the ICA Regional Office and Education Centre for South East Asia and for the holding of the first Seminar on Co-operative Leadership at New Delhi. During this seminar, Watkins established excellent rapport with most of the Asian co-operative leaders assembled at New Delhi. This paved the way for the growing support to the Asian Regional Office witnessed during the subsequent years.

Will Watkins firmly believed that existence of strong and efficient co-operative unions, functioning under the guidance of able leaders, was a key factor for the development of healthy and viable co-operatives the world over. Leadership development, therefore, has been the focal point in educational activities conducted, not only by the ICA but also by many of the developed co-operative movements, offering aid for strengthening co-operative activities in developing countries.

Will Watkins is fondly remembered by the German Consumer Co-operative Movement for his contribution in reviving and re-building their movement amidst the ruins of World War II. It won for him the Great Cross of Merit from the Federal Republic of Germany in 1959. His contribution to the World Co-operative Movement is remembered by a variety of people in numerous countries. The International Co-operative School, conducted under ICA's banner, earned him the reputation as a master trainer, a devoted scholar and a linguist. Very few people are gifted with the clarity of thought, with the ability to present to others the issues under discussion in the most precise manner, and with the fluency of a seasoned orator as did Will Watkins. His mastery over the English language and his ability to report on proceedings of conferences and seminars brought him many difficult assignments which he carried out in the most efficient and dignified manner. His contribution to the development of co-operative thought and ideology, during his post-retirement period, is as significant and valuable as during his active career in the ICA and other institutions.

As an author, Will Watkins is remembered by the co-operators the world over for his masterly narration in the form of History of the International Co-operative Alliance. His book, written jointly with Fred Hall and titled, 'Co-operation' had become very famous for its analysis of the consumer co-operatives in U.K. His papers read at ICA Congresses and at other international gatherings earned him high reputation as a strategist and an ardent spokesman of the co-operative way of life. During part of the Second World War period, he worked on the editorial staff of Reynolds News, a weekly newspaper of the Co-operative Press in England.

Will Watkins had a great capacity for friendship and tolerance for other peoples' point of view. He maintained regular correspondence with co-operators



in different parts of the world and whenever possible, did not hesitate to accept tedious and difficult assignments.

Even in the Nursing Home, and despite failing health, he never failed to reply to the letters received, and always commented upon books sent to him. "Robust health for me is ruled out", he wrote to me, in one of his letters, despite the unsteady hand which had twisted here and there, his fine handwriting and had reduced the length of his correspondence.

Watkins believed that Co-operation can help bring out the best in human beings and their presence can enrich the society around them. Co-operators can not only help build their societies, but can also help build a better community in which they live. In his death at the age of 101, the World Co-operative Movement has suffered an irreplaceable loss.

Leaders like Vaikunth Mehta from India, Albin Johansson and Mauritz Bonow from Sweden, Alexander Laidlaw from Canada and Hasumi from Japan have inspired co-operators renew their faith in the Co-operative Movement and have helped to strengthen co-operative brotherhood around the world. Whatever be the future of the Co-operative Movement, and whatever may be the quality of leadership the co-operatives may be destined to have at the helm of their affairs, the legend of Will Watkins and the likes of him will live on forever.

-Madhav V. Madane

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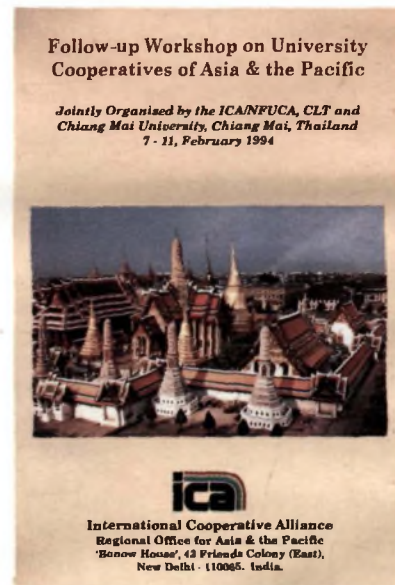
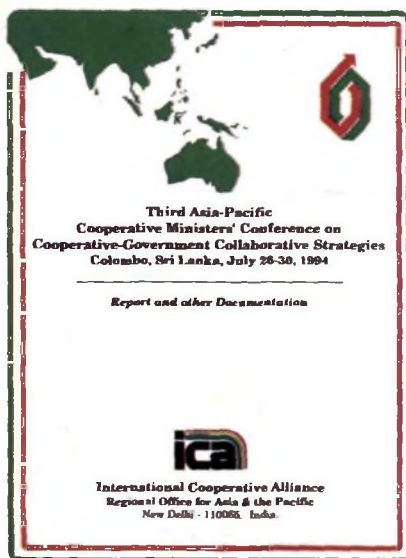
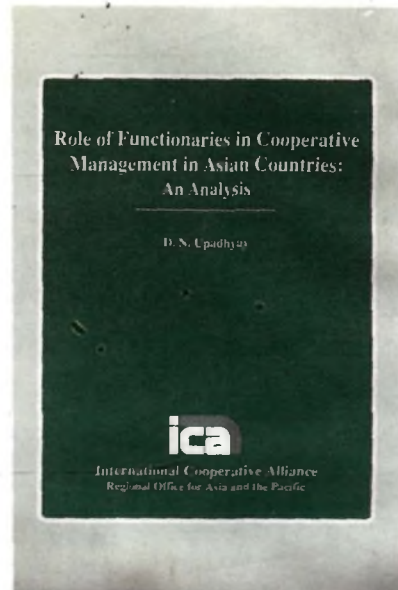
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